How to Build a Better Boat:
Steering Your Vessel Toward Service Innovation

![TeleTech]

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In a rapidly changing world, aided by multiple outlets for customer feedback, virtually every company recognizes the powerful voices of its customers and strives for improved customer experiences to promote the brand. However, many companies fall short. They find it difficult to move away from a traditional transactional, cost-driven approach to a long-term investment enablement approach that is focused on relationship building with its customers.

Today, corporations need to transform their business, but doing so requires a major transition from service improvement to service innovation. Here are the six steps business leaders should take to spark a service innovation transformation.
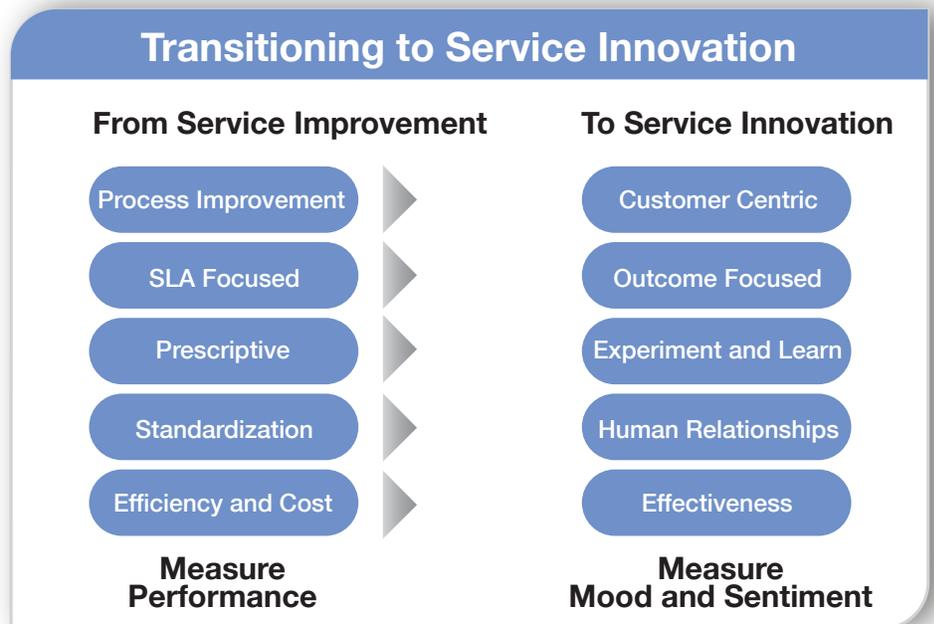
Introduction

Imagine if you were in a boat race with a well-trained, motivated, and highly driven team, but your boat was rectangular shaped. Even if your team was better prepared and better coached, the antiquated design or approach would cause you to lose 99 out of 100 races to a water-skimming, streamlined boat. We need to build a better boat for success in this high-touch, social-media-enabled customer environment.

Moving to Service Innovation: It's All in the Approach

Innovative companies think beyond the short-term bottom line. There are dangers in making tradeoffs for quality and service. Rigidly cost-focused companies can fall into a vicious cycle of bid and transition. The problem is that the root cause is never resolved; they incur transition costs and end up losing customers. Worse still, their brand is often tarnished.

Simply managing metrics often doesn't result in increased shareholder or customer value. TeleTech has seen great success after transitioning from a service improvement approach to a service innovation approach. As demonstrated in the figure, the service innovation approach expands the traditional service improvement approach by measuring customers' experience, mood, and sentiment, and then using those insights to build more profitable relationships for deeper customer loyalty. This can be the difference between a good company and a great one.

Transitioning to Service Innovation

From Service Improvement	To Service Innovation
Process Improvement	Customer Centric
SLA Focused	Outcome Focused
Prescriptive	Experiment and Learn
Standardization	Human Relationships
Efficiency and Cost	Effectiveness
Measure Performance	**Measure Mood and Sentiment**

SOURCE: TELETECH

From Service Improvement to Service Innovation

Improving service efficiency is a good thing, but not at the cost of losing your focus on what matters most in every business – the customers. Contact center customer service has been developed and honed over the past decade. Many companies still place a great deal of emphasis on reducing the customer call average handle time (AHT) or looking for the most efficient way to resolve each customer inquiry. These companies are overly concentrated on managing transactions and not focused enough on being truly customer centric.

The True Business Opportunity is to Turn Each Customer Inquiry into a Chance to Create Brand Advocacy.

TeleTech suggests that three key actions should take place in order to transform service and process improvements from being transaction-focused to being customer centric.

- <u>Focus on Creating Brand Promoters</u> – Customer feedback can be transformational for your organization. What is working and what is not? Service professionals soon learn to identify problems quicker and escalate them to ensure success.

- <u>Eliminate AHT as a Metric</u> – The contact handling time may go up initially, but customer care professionals will be more at ease and focused on building relationships. As they become more effective, customer contacts decrease and the overall cost of service also decreases.

- <u>Utilize Analytics</u> – Traditional quality assurance is not enough. Looking at trends and problems over a large volume of interactions yields significant intelligence to help drive improvements in the customer experience.

From SLA Focused to Outcome Focused

Some companies believe that the more you measure, the better the customer experience. This often results in metrics mayhem. Companies lack a clear long-term vision or goal, so metrics are adjusted on a monthly or quarterly basis with associated penalties, which further complicates the expectation. This creates an environment where organizations and individuals work to avoid sand traps, focusing on the short-term, transactional obstacles.

Imagine how frustrated customer care professionals must feel as they engage customers while under the pressure of a myriad of often conflicting and changing metrics. One day their focus might be reducing transfers, the next day reducing talk time, and the next day improving first contact resolution or sales conversion. It isn't uncommon for some companies to track as many as 30 metrics to evaluate customer care.

Virtually every business has one or two metrics that are most important. With a clear, simple focus on just these objectives, your business can make a major paradigm shift. Remember, clarity dissolves resistance and creates a highly engaging environment.

The new customer landscape is moving from a control and compliance environment utilizing the carrot and stick approach to an environment with more autonomy and engagement. Autonomy is the opposite of control and compliance. Instead of creating a myriad of objectives or obstacles to overcome, businesses are focusing on the key outcomes and encouraging creative approaches to achieve those goals. Some are even using measurements like Net Promoter Score™ (NPS®) to gauge success. NPS is used by some of the world's best companies to measure customer experience, forecast growth, and build brand loyalty.

For example, if you partnered with an outsourcing company and had an outcome-based contract to reach an NPS target, that contract allows the outsourcing partner the flexibility to invest in innovative ways to lower contact volumes, improve customer churn

rates, increase sales generated from loyal customers, and enhance the customer experience. In this scenario, there is a clear, long-term ROI when compared to the transactional environment, where key performance indicators and variable components change frequently. Additionally, the customer care professionals are more focused and have greater clarity and purpose. The result is lower attrition for both your customers and the employees.

From Prescriptive to Experimental and Educational

There is often a desire to create the "perfect" statement of work (SOW) with a set of standard tasks, frequencies, and customer service measurements. The goal is to tightly define the expected results. The outcome is an impressive document containing all of the possible details on how the work is to be performed.

The problem with this approach is that you get what you ask for; a tightly written SOW makes the outsourced partner responsible for the work without the authority to exercise initiative or to implement a technology solution to carry out the work in a dynamic, rapidly changing marketplace.

Solving complex problems requires an inquiring mind and the willingness to experiment with a fresh solution. TeleTech has developed a closed loop quality process that gathers analytics associated with systems, processes, and people-related trends. This information enables business leaders to dive deep into the end-to-end processes, allowing them to learn, adjust, and make changes that drive a better customer experience. In a prescribed and strictly defined environment, these creative improvements and recommendations typically go through a negotiation process and are often downsized or even rejected, because there are sometimes costs associated with them.

From Standardization to Human Relationships

You don't want customer care professionals to service customers. It's not what they do. Customer care professionals take care of customers. Thus, it is necessary to move away from highly scripted, robotic, transaction-oriented contact processes to a conversation that drives a one-to-one connection. You want to build deep relationships.

The first step is training. In the traditional service improvement approach, new hire training is focused on the product and process, and little to no attention is given to customer interaction. When customer care professionals come out of training and engage with real customers for the first time, the result is a poor experience for both the customer and the employee. With the new service innovation approach, companies place a high priority on scenario-based training that allows care professionals to practice delivering exceptional experiences starting on day one—long before they interact with real customers.

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Simulated learning technologies and intelligence from closed loop processes help business leaders create exceptional training programs that build self-assurance and empower care professionals to foster relationships with customers. TeleTech has found that the key is to use a technology platform that precisely simulates the job environment. By training new employees in a virtual environment that perfectly replicates the job and by role playing with trainers in life-like customer interactions, employees learn faster, are more confident in their skills, and deliver superior customer experiences. Plus, TeleTech and its clients typically see shorter training timeframes and reduced attrition rates.

The second step is implementing a new way to measure success. A focus on human relationships comes with a fresh approach for evaluating each customer interaction. Companies need to move away from measuring productivity like average call handling time and start calculating (and rewarding) customer engagement, loyalty, experience, as well as brand promoters and detractors. These measurements best reveal the current state of your customer experience and offer superior insights for designing service innovation roadmaps.

Service innovation requires outcome-based partner contracts, simulated learning technologies, closed loop feedback processes, and new customer experience metrics.
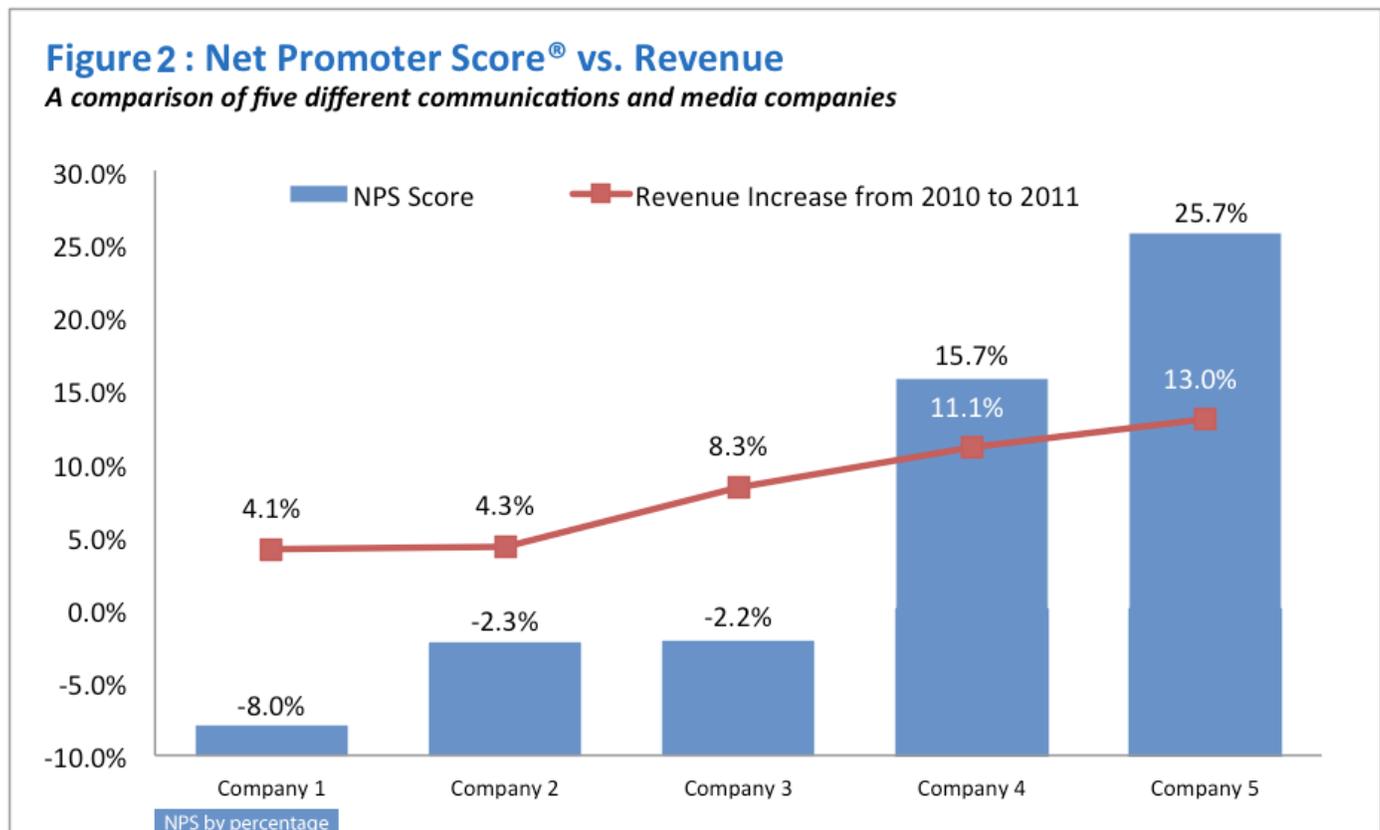
From Efficiency and Cost to Effectiveness

When people think of customer service, they tend to think of problems. In this internet age, customers have regained control, and they benchmark their experience across their lifecycles. Compounding today's customer landscape is the influence of social media. The power of social media is turning what was previously viewed as a cost into an investment.

Companies can no longer take the short-term view of customer service and prosper in the long term. Customers are now actively influencing their friends and family exponentially, and they're doing it in real time. While some companies are passively letting customers take control of their brand, the industry leaders are investing in strategies that mobilize brand ambassadors and address brand detractors.

But where's the ROI? Figure 2 below shows a 92 percent correlation between NPS and revenue increase ratios. Companies 1, 2, and 3 below have lower NPS and recognized smaller growth rates between 2010 and 2011. However, Companies 4 and 5 have higher NPS and recognized higher growth rates during the same time period.

Figure 2 : Net Promoter Score® vs. Revenue
A comparison of five different communications and media companies

Source: Net Promoter Scores were extracted from Satmetrix reports. Revenue increase ratios were extracted from 2010 and 2011 annual reports. Reprinted with permission from Satmetrix

Many companies have already recognized this integrated relationship between revenue and customer experience, and have implemented programs aimed to increase NPS and develop customer relationships that build brand loyalty. Those who have are laying the foundation for turning customer experience improvements into increased sales and profitable growth. Here is a quick look at how two companies transformed their customer experience and dramatically increased NPS.

Case Studies

Logitech Increases Net Promoter Score by 70%

Logitech was having trouble delivering a consistent and quality service experience. To solve this problem, they partnered with TeleTech to leverage Net Promoter Score insights that would improve their customer care operations. After embedding customer feedback processes into decision making at all levels, and after creating a system to mobilize brand promoters and identify brand detractors before they became vocal, Logitech's Net Promoter Score increased by 70 percent over a two-year period.

Internet Provider Increases Net Promoter Score by 75%, Customer Churn Cut in Half

When a large DSL Internet provider acquired a new company, it immediately worked with TeleTech to implement Net Promoter methodology at the new consumer division. Emphasis was placed on shifting contact center performance metrics and incentive programs to the Net Promoter Score, training employees for the cultural shift, and analyzing customer quotes with a closed loop process to expose common categories for improvement. With an outcome-focused commercial approach, data-driven strategies and a partnership with TeleTech, the provider increased their NPS from -45 percent up to +30 in less than two years, resulting in a reduction of almost half of the customer churn.

Conclusion

All in all, building a better boat and steering it toward service innovation may require a major business transformation, but the result is a competitive advantage that will last for years to come. First, shift your business approach from a transaction-focused approach to a customer-focused approach built around one or two metrics that are most important to your business. Implement new learning technologies and customer experience measurements to help you achieve and evaluate your success. Don't be afraid to experiment and allow employees and partners to be creative. But then, implement tight feedback loops that enable you to learn from your trials and tests. Finally, make use of every opportunity to build customer relationships and create brand advocates. At the end of the day, it's customers who will ultimately drive your company toward growth and profitability.

About TeleTech

For nearly 30 years, TeleTech and its subsidiaries have helped the world's most successful companies design, enable, manage, and grow customer value through the delivery of superior customer experiences across the customer lifecycle. As the go-to partner for the Global 1000, the TeleTech group of companies delivers technology-enabled solutions that maximize revenue, transform customer experiences and optimize business processes. From strategic consulting to operational execution, our more than 41,000 employees drive success for clients in the communications and media, financial services, government, healthcare, technology, transportation and retail industries. Through the TeleTech Community Foundation, the company leverages its innovative leadership to ensure that students in underserved communities around the globe have access to the tools and support they need to maximize their educational outcomes.