
Creating Superior Customer Service Capabilities to Boost Customer Loyalty and Spur High Performance

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Key issues we'll cover today

- Why customer loyalty is key to profitable growth
- Why customer satisfaction does not equal loyalty
- Why the customer experience is one of the chief drivers of loyalty
- How superior service is the linchpin of a compelling experience
- What companies can do to dramatically improve service and, subsequently, loyalty

Accenture has conducted significant research into the issue of customer service and its implications for loyalty

- Accenture Customer Loyalty survey (2006): Survey of more than 2,000 consumers in the US and UK on critical drivers of loyalty
- Accenture Customer Service survey (2005 and 2006): Survey of more than 2,000 consumers in the US and UK on perceptions of customer service across 10 types of providers
- Accenture Converged Digital Home survey (2005 and 2006): Online survey of more than 10,000 consumers in nine countries on their preferences for digital home products and services
- Accenture Customer Service and Support survey (in progress): Survey of executives at global electronics and high-tech companies on the organization and performance of their support and service operations

Customer loyalty is key to achieving high performance and profitable growth

- It's a fact that it's considerably cheaper to retain customers than acquire new ones—which means more loyal customers translates into lower customer acquisition costs.
- Industry research also has shown that stronger loyalty generates pricing power for companies and protection from competitive threats, enabling them to increase their margins while they protect their turf.
- Accenture's own client work has taught us that increased customer loyalty can generate higher revenue per customer and, by definition, reduce customer churn.

Accenture research shows that loyal customers can have a major, positive effect on a company's bottom line

94% of loyal customers will take at least one of these positive actions in the next 12 months

Question: Thinking of the companies you have been doing business with for more than a year, and feel especially 'loyal' to, which of the following actions are you most likely to take in the next 12 months?

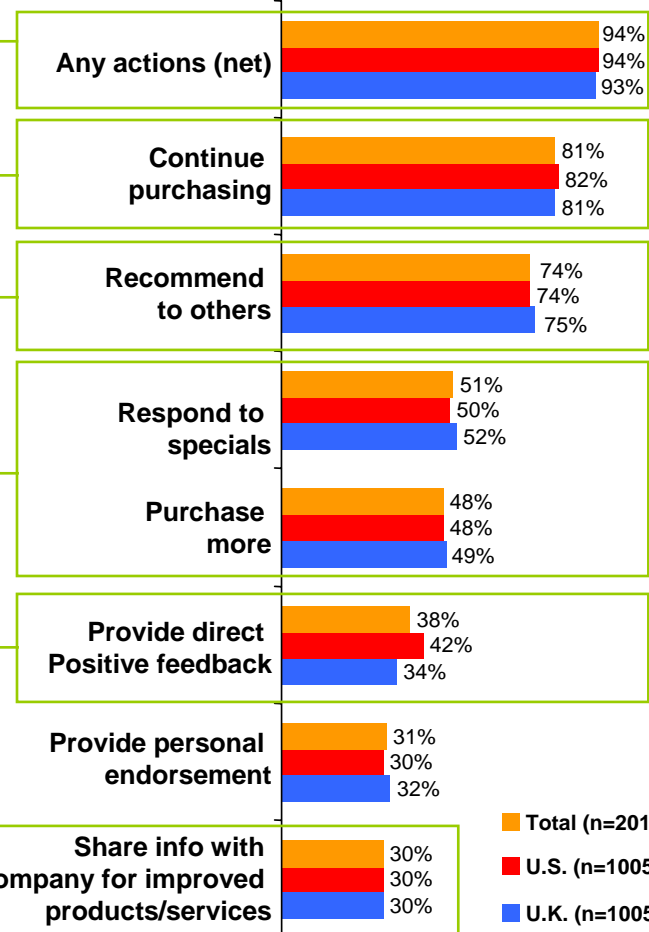
Retain customers for longer

Acquire new customers

Buy more products

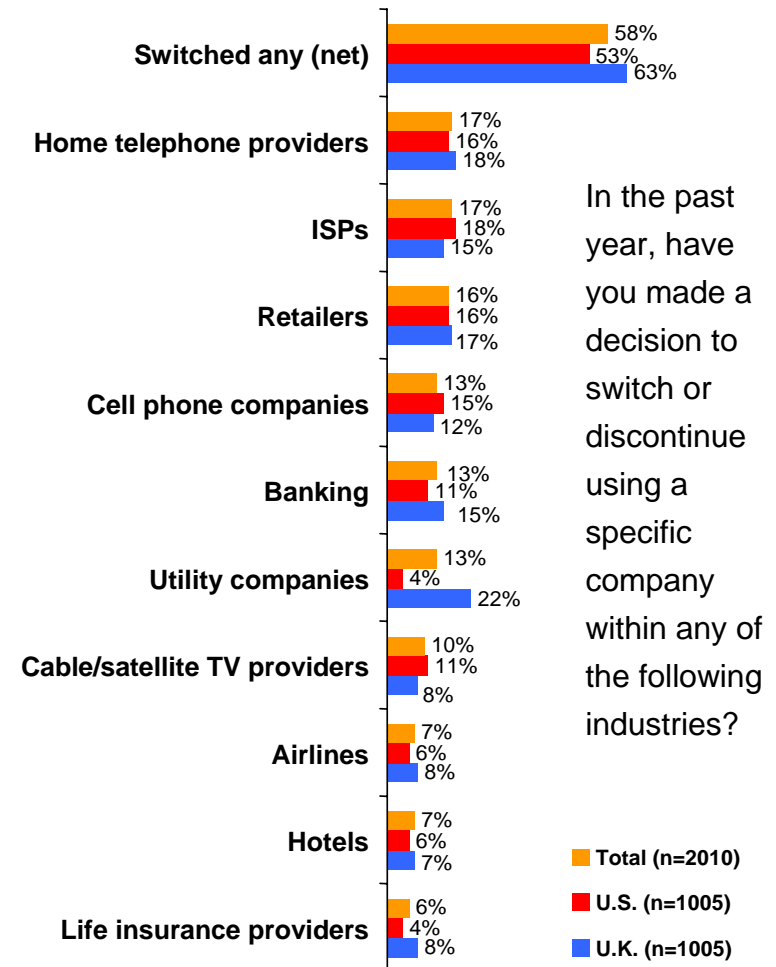
Provide directional feedback

Contribute ideas, e.g., reduce cost to serve



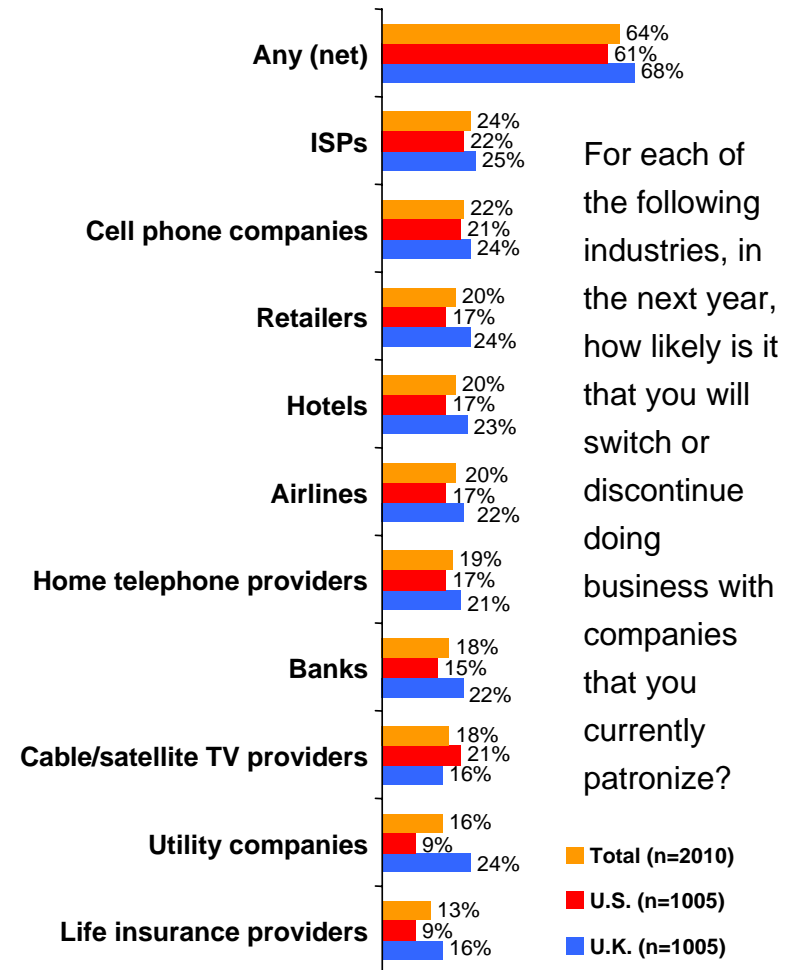
However, Accenture research further shows that companies are struggling to create more loyal customers

- In the past year, six-in-ten (58%) respondents switched a service provider.
- Services most likely to be switched were home telephone or ISP's (17% each) and retailers (16%).



However, Accenture research further shows that companies are struggling to create more loyal customers

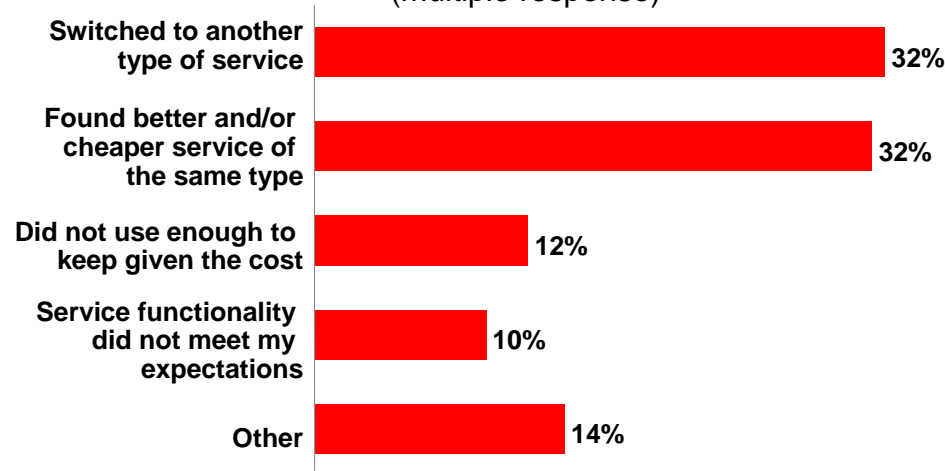
- Nearly two-thirds (64%) of consumers in the U.S. and U.K. are likely to switch or discontinue doing business with at least one of these 10 types of companies.
- Internet Service Providers are the most likely to be switched (24%), followed by cell phone providers. Life Insurance companies are the least likely (13%) to be switched.



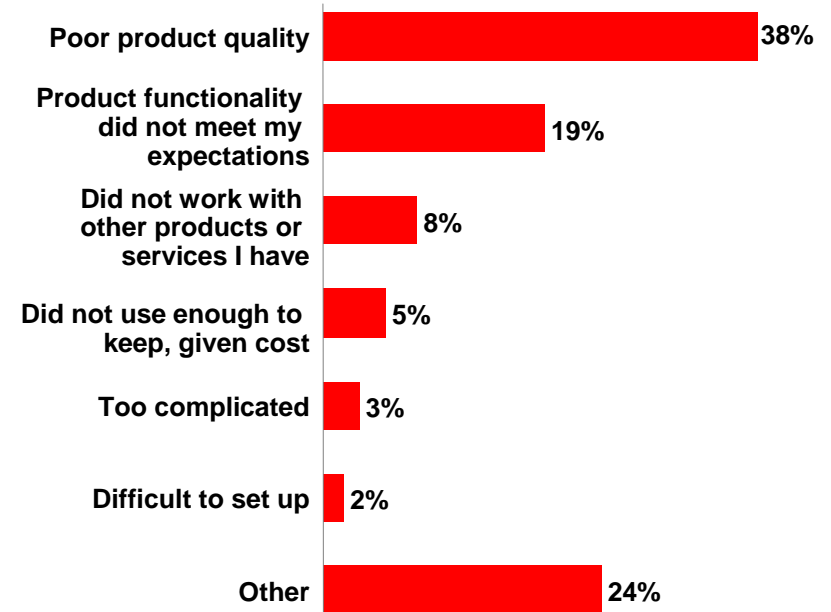
However, Accenture research further shows that companies are struggling to create more loyal customers

In the digital products and services sector, 35% of global consumers cancelled voice, internet video or wireless services in past two years and 20% of global consumers returned computing and electronics products in the past two years

Reasons for service cancellations (multiple response)



Reasons for product returns (multiple response)



One of the biggest problems we've seen is that companies tend to equate customer satisfaction with loyalty

Consumers are highly satisfied for the most part . . .

Provider Type	% indicating company met or exceeded expectations	
	US	UK
Retailers	90%	89%
Internet Service	82%	82%
Home Telephone Service	74%	77%
Hotels	78%	73%
Utilities	77%	69%
Banks	82%	61%
Wireless/Cell Phone Service	61%	68%
Cable/Satellite TV Service	66%	59%
Airlines	54%	66%
Life Insurance	57%	46%

One of the biggest problems we've seen is that companies tend to equate customer satisfaction with loyalty

. . . but willing to switch providers if the incentive is right

Reason to switch	% indicating would switch providers		
	US	UK	All
Any Reason	88%	86%	87%
Lower Price	80%	77%	79%
More Reliable/Better Service	58%	58%	58%
Better Products	48%	46%	47%
Offers Suited to My Needs	48%	45%	46%
Access to a Real Person	34%	37%	36%
More Product Choices	31%	29%	27%
Rewards Program	29%	29%	29%
More Accurate Billing	20%	24%	22%

Bigger yet is the fact that many companies fail to understand that loyalty is driven by a superior customer experience

A positive experience helps keep customers in the fold . . .

percentage of respondents who indicated this factor had a strong or very strong impact on their decision to stay with providers.

	US	UK	Total
Price of product or service suits my budget	47%	49%	48%
I trust the company's offerings	50%	41%	45%
I had a positive feeling about my experience	43%	34%	39%
I feel someone is always available to help	42%	32%	37%
Company reps are well-trained/understand what I need	42%	30%	36%
Company goes above and beyond to meet my needs	39%	27%	33%
Company is always trying to improve offering based on my feedback	35%	27%	31%
I like their perks and awards for loyalty	23%	22%	22%
It is too much of a hassle to switch	19%	23%	21%

Bigger yet is the fact that many companies fail to understand that loyalty is driven by a superior customer experience

. . . While a negative experience drives customers away

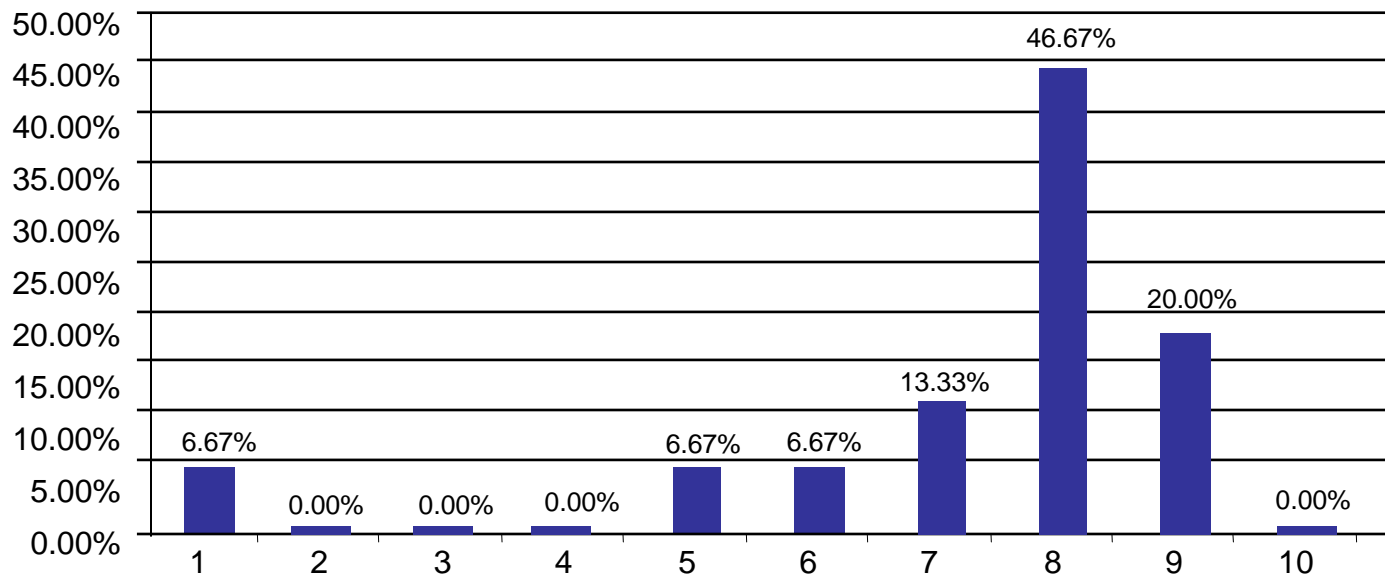
Percentage of respondents who indicated this factor had a strong or very strong impact on their decision to switch.

	US	UK	Total
Found the same offerings for lower price	41%	44%	43%
Had a negative feeling about my experience	36%	31%	34%
Another company offered more choices	34%	33%	34%
Quality of offerings has deteriorated	34%	32%	33%
Company did not go above and beyond to meet my needs	32%	29%	31%
After giving feedback, offers did not improve	31%	28%	30%
Company reps were not trained well enough to understand my needs	27%	26%	27%
Weren't enough perks and rewards for being loyal	18%	21%	20%
Company did not have enough staff dedicated to my needs	18%	17%	18%
I wanted to try something new	11%	8%	10%

A major component of a compelling customer experience is superior service

And according to executives at high-tech companies, customers' service expectations have increased substantially in recent years.

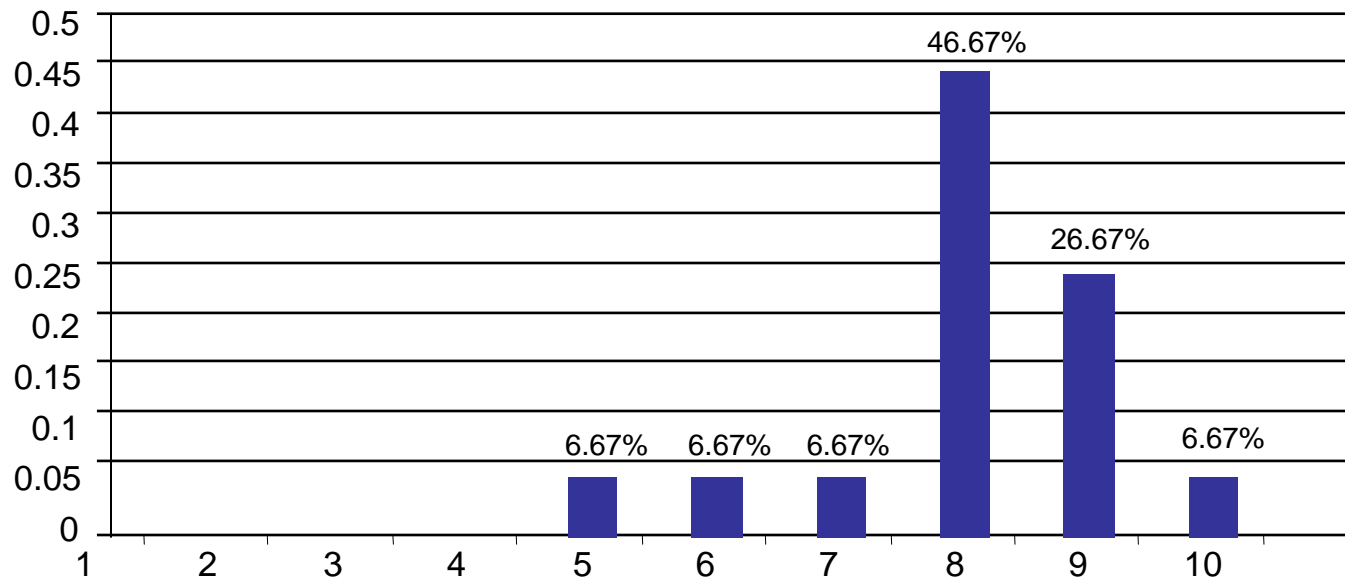
To what degree have your customers' expectations for service and support increased versus 3 years ago?



Yet companies and consumers differ in their impressions of service quality

Company executives think their after-sale service and support is well above average

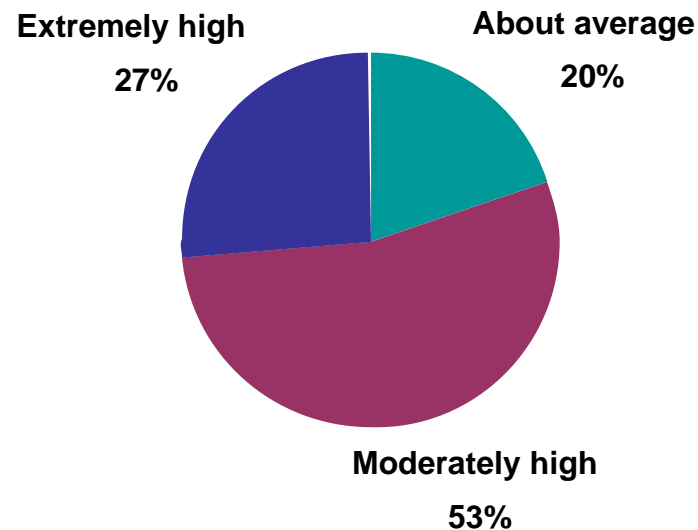
Please rate how well your company provides after-sale service and support to its subscribers



Yet companies and consumers differ in their impressions of service quality

And many of these executives believe their companies' efforts have kept pace with customer expectations.

How would you describe the customer service satisfaction of your overall customer base?



Yet companies and consumers differ in their impressions of service quality

But consumers have a different opinion. They are not highly satisfied with any of the principal modes of service delivery overall.

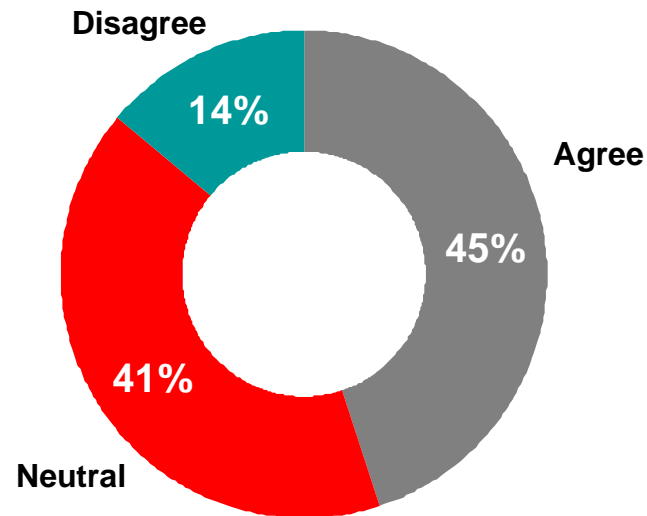
How satisfied are you with each of the following types of customer service?

	Very Satisfied		Satisfied		Somewhat Satisfied		Not At All Satisfied		Never Used No Response	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
In-person service at place of business or store	16%	17%	44%	43%	32%	31%	4%	5%	4%	3%
Live customer service Over the phone	15%	15%	34%	35%	36%	35%	11%	12%	4%	3%
Automated telephone service	2%	3%	8%	10%	25%	23%	58%	58%	6%	5%
Email customer service	11%	11%	33%	32%	38%	36%	10%	12%	8%	8%
Live chat online	8%	7%	19%	22%	25%	26%	8%	9%	40%	35%

Yet companies and consumers differ in their impressions of service quality

Nor are customers of digital products and services overly impressed, as less than half have a positive impression of providers' commitment to service.

Providers of my voice, video, internet and wireless services are committed to providing quality service (% respondents)



Yet companies and consumers differ in their impressions of service quality

Consumers are especially disenchanted with the impact that the use of technology has had on customer service

How strongly do you agree or disagree with the notion that the increased use of technology in customer service has improved the level of service significantly in the past 5 years?

	2005	2006
Strongly agree	5%	5%
Somewhat agree	33%	32%
Somewhat disagree	30%	31%
Strongly disagree	32%	30%



61% believe technology has not improved service

Yet companies and consumers differ in their impressions of service quality

And consumers are frustrated by myriad aspects of their interactions with service representatives

Which of the following are the most frustrating aspects of dealing with customer service representatives?

	2005	2006
Being kept on hold too long	78%	77%
Having to repeat information to multiple representatives	75%	72%
Representatives' lack of the answers I need	69%	68%
Representatives trying to sell me other products and services	55%	58%
Representatives' inflexibility	45%	47%
Representatives' slowness in responding	44%	46%
Representatives are not personable	43%	42%
Representatives do not offer customized solutions	42%	45%
Customer-service computers are often down	36%	37%
Representatives ask for too much personal information	32%	36%
Representatives ask too many questions	23%	27%
Representatives create too much paperwork	14%	19%
Representatives have poor command of English/heavy accents	3%	n/a

Meeting customers' service expectations—already difficult—will get even tougher in the future

- Two major trends will dramatically impact companies' ability to deliver superior service:
 - Growing complexity of products and service bundles
 - Massive divergence in needs and expectations as customers become more fragmented

Delivering superior service in the future will mean successfully addressing four critical challenges

1. Solving customer problems
2. Using technology more effectively
3. Having more capable and personable agents
4. Creating a superior customer experience

Challenge #1: Solving customer problems

Our survey showed that having a representative who can meet customers' needs is the most important aspect of service.

Which of the following is the single most important aspect of a satisfying service experience?

	2005	2006
The ability of a customer service representative to assist with all needs, rather than forwarding a request to different representatives for help with each product or service	34%	36%
Ability to discuss problems with representatives	14%	13%
Amount of time it takes to resolve a problem	13%	10%
Quality of the response from the representatives	13%	12%
Customer service representatives' manner and approach	12%	11%
Speed of response	6%	7%
Convenient bill payment options	3%	n/a
Benefits offered to compensate me for my troubles	2%	n/a
Bills that are easy to understand	2%	n/a

Challenge #1: Solving customer problems— case example

Major US bank

Problem

Address high call volume and associated costs

Solution

Reengineered existing call flow to focus on first-call resolution effectiveness, not simply efficiency.

Implemented customized agent desktops to support the new call flow, and tied agent performance incentives to first-call resolution goals

Designed more proactive customer servicing practices, which enabled associates to promote self-service solutions for customers during the call—thus reducing the need for customers to call in the first place.

Results

The bank expects the pilot to generate a 10 percent decrease in measurable call volume, which in turn will lead to substantial cost savings as well as increased customer satisfaction with the service experience.

Challenge #1: Solving customer problems— case example

Global media company

Problem

Major media company believed that reducing its call transfer rate and improving its call transfer capabilities—including the ability to report on call transfer successes—would improve customer service and boost customer satisfaction.

Solution

The company implemented new systems supporting interactive voice response (IVR), call routing, computer telephony integration (CTI) and integrated reporting.

The company now has robust contact center capabilities that support approximately 100 million inbound telephone calls, and more than 10,000 call center agents.

Results

Within the first year of deploying these capabilities, the company not only reduced its call transfer volume by 50 percent, but also achieved a positive return on its investment.

Challenge #2: Using technology more effectively

Because technology can either enhance or destroy the service experience, it must be used judiciously and appropriately.

How satisfied are you with each of the following types of customer service?

	Very Satisfied		Satisfied		Somewhat Satisfied		Not At All Satisfied		Never Used No Response	
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Live chat online	8%	7%	19%	22%	25%	26%	8%	9%	40%	35%

Challenge #2: Using technology more effectively— case example

A Global Software company was able to improve customer experience and reduce costs through a program that enhanced all areas of the solution in addition to technology.

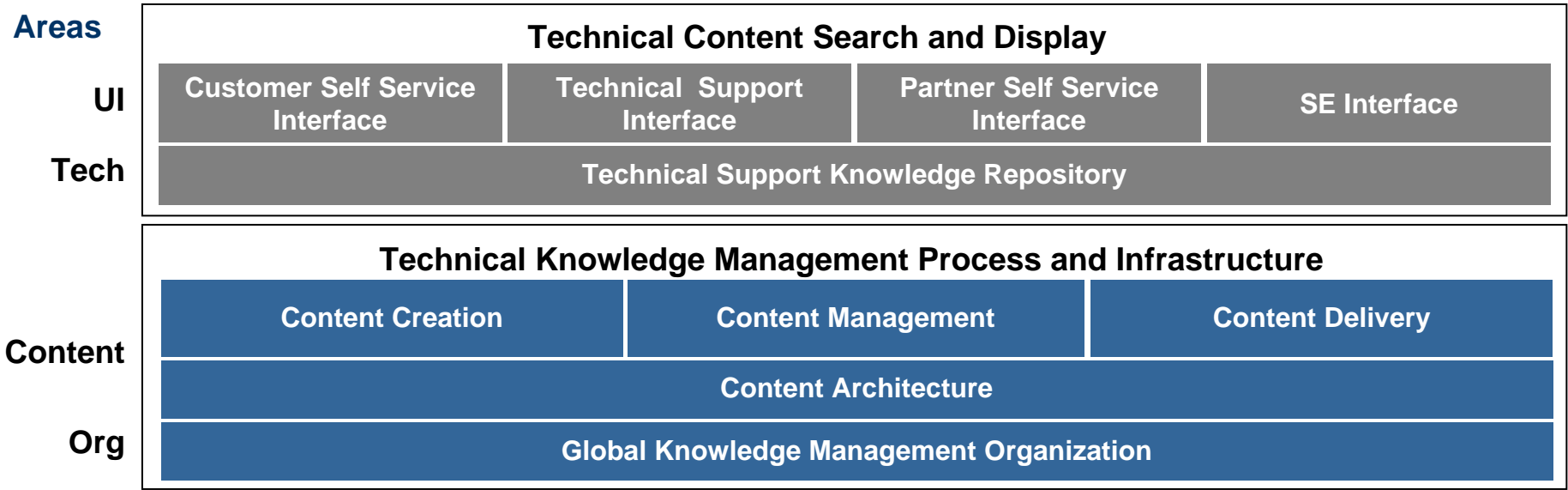
Situation:

- High Support Costs
- Poor Solution Quality
- 40% New Tech Support Reps per year
- Reps required to submit content per MBOs



Results:

- 20% reduction in customer support cases
- 3% reduction in customer supporting time
- 130% ROI over three years
- Visibility to key knowledge gaps

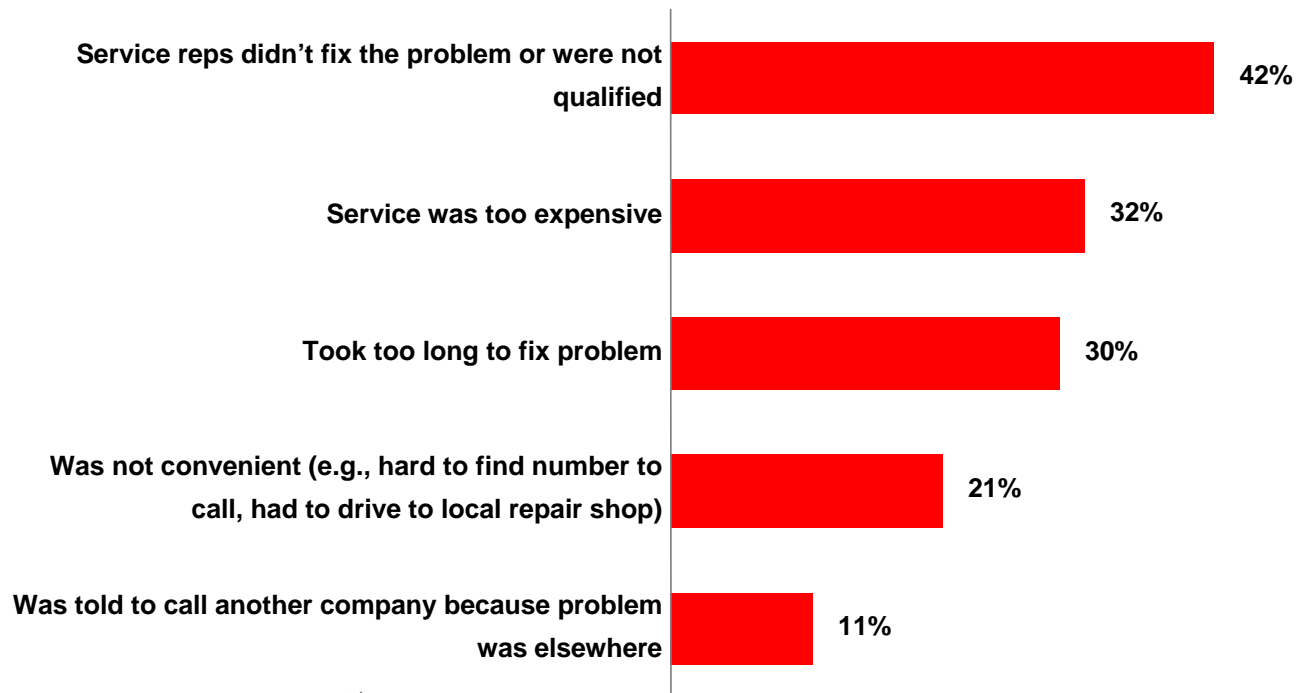


Challenge #3: Having more capable and personable agents

Because the human touch is so important to customers, representatives must be adequately trained and equipped for duty.

Drivers of U.S. Consumer Dissatisfaction with Support

(% respondents, multiple response)



Challenge #3: Having more capable and personable agents—case example

New York City Department of IT and Telecommunications

Problem

Mayor Michael Bloomberg believed the city could better serve its citizens by implementing a centralized, all-purpose call center—accessible through a simple three-digit phone number (311)—that would quickly direct callers to the information or resources they needed, 24/7.

Solution

Mobilized a team of professionals to build and launch the new citizen service center and hotline within nine months of the announcement. With this project, New York City has applied the principles of customer relationship management to transform the way it delivers citizen services.

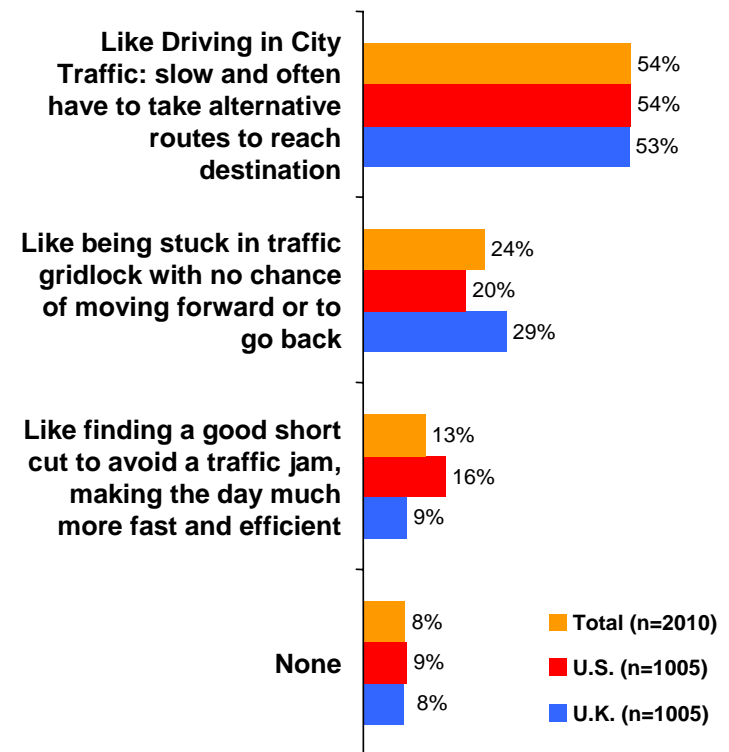
Results

New York City residents and visitors can dial the hotline anytime to speak with a citizen service representative who can assist them with a wide range of service requests and information in 170 languages. The integrated system provides callers with more personalized service, faster problem resolution and easier access to knowledgeable help.

Challenge #4: Creating a superior customer experience

The majority of customer service experiences are long and painful. Those that can break the mold will establish a differentiated customer experience

“When you think about your interactions with customer service, which of the following represents your typical experience?”



Challenge #4 – Creating a superior customer experience– Case Example



The Pursuit of Perfection

- Success attributed to highly engineered product *plus* exceptional service
- Distinguished consumer experience through separate dealer network
- Set new bar for service – for example, loaner vehicles, customer lounges, factory specialist training
- Achieved top J.D. Power & Associates ranking within 2 years of introduction – and hit 25% share of luxury market within 10 years

Recommended Shift in Approach for Aspiring Service organizations...

From...

- Service starts after sale
- Elective – consumer has to ask for it
- Operated as a cost center – “call avoidance” as key metric


...To


- Service sells the product
- Embedded in solution
- Operated as a profit center - customer intimacy is differentiating

Challenge #4- Creating a Superior Customer Experience

Tech Support


In Queue for 20 minutes...

 Customer
I recently bought a 512 MB RAM card for my 2350. I received a card, but I don't think it's right, it doesn't fit.

 CTS Rep
... You're right... that card is for a 2300... not a 2350

Captures Customer No. & verifies address and telephone information...


 Customer
What is the right SKU # for a 2350 RAM card? Is the right card in stock? Can I exchange it?


 CTS Rep
I'm going to let you talk to someone in sales

Cold Transfer

Sales

In Queue for 10 minutes...


 Customer
I ordered a 512MB RAM card for my desktop and received the wrong card... I need to exchange it for the correct card.


 Sales Rep
Let me put you in touch with someone in Customer Care...

Cold Transfer


Care


In Queue for 20 minutes...

 Customer
I ordered a 512MB RAM card for my desktop and received the wrong card... I need to exchange it for the correct card.

 Care Rep
... I'm going to process a return for you... you'll need to send the card back to us...

Captures Customer No. & verifies address and telephone information...


 Customer
Can you send me the correct Card?


 Care Rep
Unfortunately, we're going to have to create a new sales order for you... let me transfer you to sales...

Cold Transfer


Sales


In Queue for 15 minutes...

 Customer
I just completed a return for a 512MB RAM card and need to get the correct card...

 S&P Rep
... I can get that new card ordered for you...

Captures Customer No. & verifies address and telephone information...

 Customer
When I first ordered the card, there was a 10% off sale, do I still get 10% off?

 S&P Rep
I'm sorry, that sale is over and I'm not authorized to give you 10% off...



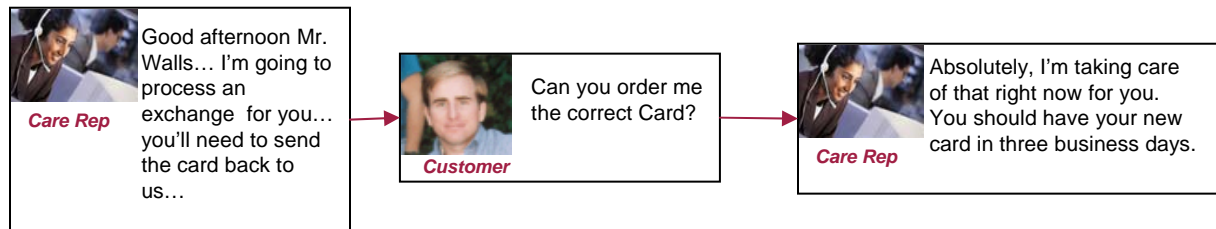
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Challenge #4 – Providing a Superior Customer Experience

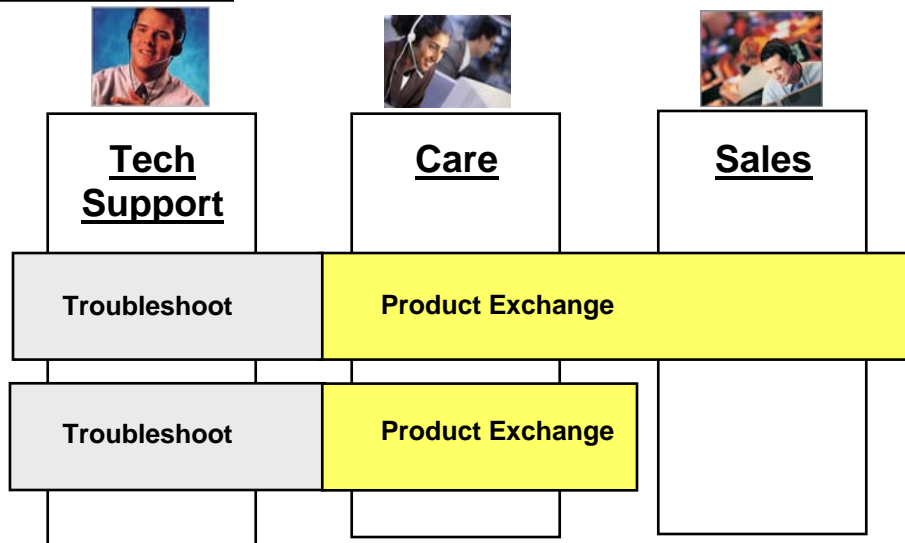
Based on the previous scenario, the handling of the customer intention would change:

Care



Present

Future



Organization Implications

- Redesigned Care Structure to place order fulfillment responsibilities on agents.
- Reconfigured agent staffing mix to account for less calls (transfers) to sales and added AHT for Care.
- Redefined training curriculum for Care agents.
- Redesigned Performance management program for agents.
- Possible new hiring profile and compensation for Care agents.

In sum, identifying and adopting the necessary capabilities for superior service entails several key steps

