The Service-Level Differentiation Imperative

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Executive Overview

The proliferation of interaction channels today means that customers have an ever-increasing variety of choices for how they can obtain customer service. And they use them all—based on convenience, issue type, and a myriad of other drivers. Companies that don’t have a strategy in place to optimize their mix of self-service and agent-based support risk alienating valuable customers and destroying customer value. Meanwhile, companies that fail to optimize their self-service channels wind up with inefficiencies in their service delivery processes, unnecessarily inflating their service costs.

The challenge is that most companies simply don’t have the customer insight or the operational wherewithal to deliver such a differentiated experience. Further, many can’t afford to deliver a superior service experience to every customer. Every customer brings a different value to the companies they choose to do business with. As such, the type of support each customer receives should also be differentiated based on their worth, says Martha Rogers, Ph.D., Founding Partner at Peppers & Rogers Group1.

Companies that recognize the unique value that each customer carries and differentiate service to customers based on that value are able to optimize their business outcomes. For instance, companies that have optimized their support channels to differentiate service by customer value have seen revenues rise by 2 percent while reducing operating costs by 8 percent, according to Accenture research2.

Indeed, many companies overlook the business benefits of providing high-value customers with superior customer service. For instance, U.S. consumers will spend 9 percent more with companies that provide great customer service, according to a recent study by American Express. Other key results from the study include the following:

Channel choice

- 91% of Americans consider the level of customer service important when deciding to do business with a company.
- 81% of Americans are likely to give a company repeat business after a good service experience.
- 51% of Americans are likely never to do business with a company again after a poor experience.¹

As companies go about differentiating service for individual customers, they also must recognize each customer’s channel preferences. Thanks to the proliferation of multichannel support capabilities, such as web and IVR self-service, voice, and social media, customers are increasingly dictating how and through what means they prefer to obtain support.

Some customers who prefer to control their own outcomes tend to favor the use of self-service support systems. Other customers require human intervention to help them resolve an issue or answer questions about a product. Those interactions are increas-
ingly occurring outside of the contact center. Customers are reaching out to both front- and back-office personnel for answers to their questions.

Unfortunately, however, as companies attempt to keep up with customers’ evolving service preferences, what often happens is that companies end up providing the same basic levels of service to all customers, regardless of their value to the organization. Even worse, the squeaky wheel getting the grease remains a pervasive corporate habit ensuring sub-optimal and arguably unbalanced treatment of customers.

“What this means is that your very best customers often are receiving service that’s just good enough,” says Paul Jarman, CEO at inContact, a leading provider of cloud-based contact center solutions. “Companies need to make sure that they match their highest-value customers with the level of support that they’re anticipating.”

Companies that differentiate and tailor support services for each customer based on their needs and attributes deliver better and more meaningful customer experiences. Customers who feel they’ve received consistent and positive experiences with the companies they interact with are far more likely to develop trusting, valuable relationships with companies, says Rogers. They’re also more apt to refer friends and associates to use a company’s products, thus generating additional revenue.

Supported by insights from Peppers & Rogers Group and inContact, this white paper will explore the benefits of applying the right mix of self-service and agent-assisted support to meet customer expectations effectively and maximize business outcomes.

Readers of this white paper will learn:

• The importance of service-level differentiation and how it can be applied to develop trusting and fruitful relationships with customers.

• How to interpret and analyze customer behaviors, attitudes and support requirements to help customize and deliver the best customer experiences in each interaction regardless of the channel used.

• Best practices on how to manage the self-service and multichannel service dynamic. Readers will discover the most effective techniques available to encourage customers to use self-service capabilities while ensuring they remain happy, loyal customers. They’ll also learn how offering self-service can free agents to target high-value customers or more complex interactions that require more hands-on support.

• The role that social media plays in the service optimization mix and how it should be integrated into the overall service chain.
Why Service-Level Differentiation Matters

There are four primary reasons why service-level differentiation matters: channel propagation; the nature of the issue that needs to be resolved; demographics; and where a customer happens to be in the service lifecycle. Each of these factors influences customer motivation for using different channels to meet their support needs.

1. Channel propagation drives engagement
Channel propagation provides customers with myriad options for how they choose to interact with companies and obtain support from them. As customers continue to connect with companies using IVR, Web, chat, mobile, social and other emerging channels and develop a history of interactions, companies can employ analytics and customer feedback technologies to learn more about how customers are using these channels, what they’re seeking to accomplish, and the impacts these interactions are having on sales and service.

For example, industry research shows that customers who shop through multiple channels tend to be more valuable than those consumers who tend to use a single channel, such as steadfast catalog shoppers, says Rogers.

2. Different needs dictate different levels/types of responses
When it comes to selecting various channels for support, most customers seem to be satisfied with using self-service outlets such as IVR to handle routine tasks like checking an account balance or tracking the expected arrival time for a package, says Mariann McDonagh, Chief Marketing Officer at inContact.

For more complex interactions, like determining when a missing piece of luggage is expected to be delivered from a recent flight or negotiating updated car insurance coverage, “you don’t want to use an IVR. You want to get more definitive answers from an agent,” says McDonagh.

“If I’m a FedEx customer and I just want to find out the status of my order, self-service should be OK for most people,” says Jarman. “But if I’m a FedEx customer and my order is lost, then I don’t want to go to an automated process. I need a person. I need to have an agent assist me with this and make me feel good about the fact that although they just lost my package, they’re doing everything they can to rectify the situation.”

3. Demographics drive familiarity
Demographics also play a critical role in determining channel preferences. For instance, Gen X and Gen Yers lean towards self-service systems since they’re so accustomed to using technology for communications and getting answers to questions. McDonagh points to her teenage daughter as a prime example.

“She doesn’t even know what a bank teller looks like,” says McDonagh. Yet she and other young consumers are perfectly comfortable using technologies like online support and social media to obtain answers to their questions. “Regardless of the transaction, this sort of age divide is going to make a huge difference, and that’s why getting service-level differentiation right is going to deliver major competitive advantage for companies as they seek to establish strong bonds with their customers,” she says.

4. Customer lifecycle stages influence channel choice
In addition to identifying channel preferences, it’s also critical for companies to pinpoint what stage of the relationship lifecycle a customer is at and how they’re attempting to use various channels to support their efforts, says Bassam Salem, Senior Vice President, Professional Services at inContact.
Salem points to a consumer who uses a website to buy a new car. At the initial stage of his research, the customer likely wants to remain anonymous and find more information to help narrow his interest to a particular vehicle. “They don’t want the local dealer to call them at this point,” says Salem.

But once the consumer has identified a vehicle type, he may be more willing to send an email to, say, three local dealers in order to receive price quotes, says Salem. Moving forward, the prospect may be willing to accept a phone call from dealers to negotiate pricing. Ultimately, someone in the early research stage of their lifecycle likely wants to be engaged very differently than one who is finalizing his or her purchase selection and decision.

**The three keys to service-level differentiation**

When it comes to differentiating service, there are three critical things that decision-makers need to consider, according to Jarman:

1. Identify which customers your company needs to treat differently.
2. Understand which parts of the customer service process need to be personalized to meet unique customer preferences.
3. Take steps to ensure that valued customers are, in fact, treated differently.

“You have to focus on the customer value, treat each customer differently, and handle high emotional transfer points and be great at it,” he adds. Emotional transfer points refer to those characteristics that customers care most about which can trigger customer loyalty or defection, such as the quality of a customer service experience or perceptions about product reliability. Most organizations have a very inside-out view of the service experience as opposed to asking customers what they expect and then delivering on those expectations.

**Breaking past the efficiency focus**

Unfortunately, the importance of creating differentiated customer support is often lost on decision-makers who are focused on the efficiency of contact center and customer support operations made available through various channels, says Rogers.

Such a focus around efficiency “doesn’t speak to a particular moment or need that each customer will have,” says Rogers. “You can implement business rules to help your organization prepare for predictable outcomes” such as the number of customer calls each agent is expected to handle each hour or the number of customer support inquiries that can be resolved through an online channel.

“But when your customer requests are less predictable, you have an opportunity to provide them with a type of differentiated service that they’ll value and your competitors don’t offer,” she adds.

An efficiency focus also isn’t geared toward enabling organizations to optimize customer service based on each customer’s value to the organization. For instance, one inContact customer provides billing services to dental practices. The company implemented an IVR in 2008 which allows dental customers to check their balances or make payments on their accounts. The IVR has helped the company to identify customers with the highest balances and automatically route those customers to agents with the right skills to settle their accounts. Those capabilities have enabled the billing company to settle a higher percentage of outstanding accounts while reducing IVR abandon rates among customers.

In the next section, we’ll explore best practices and techniques for interpreting and analyzing customer behaviors and preferences to better meet customers’ support requirements. This can help companies to customize and deliver the best customer experiences in each interaction regardless of the channel used, improve customer satisfaction, and ultimately, improve customer retention and customer lifetime value.
Recognizing Differentiated Support Requirements

As we noted previously, customers choose different channels for support based on the nature of the issue they’re trying to resolve; their familiarity and comfort with using different types of self-service channels; and their stage in the support lifecycle. The trick is knowing customers’ individual motivations for their channel choices for a given service or sales issue.

As consumers use a variety of support channels to meet their needs, companies continue to wrestle with why their customers use different support channels (IVR, email) at different times. “We have to recognize that in many cases people will simply use different channels to meet their specific needs at that moment,” says Rogers.

Still, it’s critical for companies to gain a deeper understanding of the motivations, needs and preferences that drive customers to use various service channels in order to tailor support to meet their needs more effectively. According to a recent survey conducted by Aberdeen Group, just 4 percent of respondents feel they’ve achieved the full business potential with existing customers. Learning more about what customers want and differentiating service to meet their needs can help companies to optimize their business relationships with customers.

Establishing a customer experience baseline

The first step towards accomplishing this, says McDonagh, is by establishing a customer experience baseline to better determine which channels they’re using and why. “Most companies have so little idea why customers are calling, who is choosing what channel, and why,” says McDonagh. “They’re not profiling customers and the channels they’re using for different types and stages of support.

“If we can establish that kind of baseline in a programmatic kind of way, especially to determine which types of customers gravitate towards using self-service and which ones prefer human support, then you can begin to optimize channel support and touchpoints to meet the needs of discrete groups of customers,” she adds.

Interpreting and analyzing customer behaviors, attitudes and preferences

Understanding what drives customers to use different channels enables decision-makers to develop the kind of channel workflow processes that resonate with customers. Companies can do this by using survey tools to ask customers what criteria matters most to them in their service interactions, such as first-call resolution or the speed in which their problems are resolved, says Jarman.

These efforts can be supported by conducting needs-based analysis to determine which channels customers prefer and how they use different channels for support, says Zeynep Manco, Senior Consultant at Peppers & Rogers Group. From there, companies can develop a roadmap for what matters most for each customer’s experience requirements and then plot a strategy for meeting those needs, Jarman adds.

For instance, IVR systems can help companies to reduce agent support costs by guiding customers to answer frequently-asked questions they might have. Problem is, the workflows designed for many IVR systems are overcomplicated and force customers to chase a series of prompts that often don’t map with their needs.

One inContact customer, a farm equipment manufacturer, has found a way to simplify IVR processes for its customers which are farm equipment dealers. The manufacturer sells 600 different products. Instead of devising an IVR menu that forces dealers to follow a series of prompts to receive service for a specific product, the company created an IVR menu with prompts and branches for its top five selling products.

The IVR system quickly routes dealers to the best-suited technicians to resolve their technical issues. The manufacturer’s simplified IVR processes have led to a dramatic decrease in customer
hold times. In addition, customer satisfaction scores have improved as customers are now being connected to the right agents with the right skills to resolve their technical issues.8

By knowing more about customers’ needs and their recent interactions with a company (e.g. visits to a retailer’s website to learn more about warranty information for a home entertainment system), an IVR system can offer them prompts based on their most recent interactions, says Salem. In addition, companies can track customers’ behaviors during an online or IVR transaction to identify usage patterns and preferences in order to tailor future support to meet their needs.

“In doing so you can prioritize what customers want and not waste money on those criteria that are less important to them,” says Jarman. Understanding these motivations can also help companies to more effectively balance service costs with customer value.

Ensuring frequent fliers don’t flee
Let’s say a high-value frequent flier of an airline leaves a message on an IVR system to complain about poor service on a current trip. It would be a massive blunder for the airline to send the customer an automated email informing her that someone will review her message sometime in the next 24 to 48 hours, says Salem. Instead, the company must understand its customers’ value, the urgency of the situation, and then take action based on that information.

“The company needs a way to classify and prioritize each incident based on the customer’s value and situational urgency, and then by applying sentiment analysis to the customer’s IVR interaction to determine a customer’s mood and whether they’re at risk of dissatisfaction or, worse yet, of defection,” says Salem.

In this instance, the airline could link the customer’s message to her account status in its CRM system to determine her value to the airline as well as the fact she is currently traveling on an active itinerary. Once the airline has identified her as a high-value customer with an urgent matter, the customer can then be immediately connected with an escalation specialist to resolve her issue in an attempt to retain her satisfaction and, ultimately, her business, Salem adds.

Customers who feel as if a company is listening and responding to their needs in a thoughtful and timely manner are more likely to develop a level of trust with a company which can then lead to longer, more prosperous relationships, says Rogers.

Identifying and addressing contact center skill gaps
Identifying and responding to customers’ support needs includes a requirement for companies to constantly re-assess the effectiveness of their contact centers and opportunities for driving continuous improvement. Once companies have developed a better understanding of their customers and their behaviors and preferences, they can then identify and address the key skill gaps in their contact centers.

Companies can provide e-learning and other types of training to enhance their agents’ skills in order to help connect agents with specific areas of expertise with their highest-value customers, says McDonagh.

Companies also need to customize support regardless of the channel. They can start by identifying how customer segments (high-value, multiple shopper) uses various channels for sales and service and then identify opportunities for enriching channel experiences for those customers. For instance, high-value customers who use a company’s website to research product information or can be offered opportunities to chat with agents who can help guide them information they might be looking for.

In the pages that follow, we’ll examine best practices for managing the self-service and multichannel service dynamic. This includes steps companies can take to incent customers to use various self-service channels and redirect agents to support high-value customers who may require additional hand holding.
Managing the Multichannel Dynamic

Once companies begin to differentiate support for different customers based on their respective value, they can begin to transition lower-value customers to less-costly service channels, such as online, IVR, and social media. But companies need to tread lightly. Customers shouldn’t feel like they’re being forced into using a self-service channel. Here are five steps companies should take as they attempt to transition less-profitable customers to self-service channels:

Ensure that all support channels are designed well enough for all customers to use easily. “When companies are focused on delivering the optimal customer experience, then they’re providing the natural channel for that customer, regardless of what that channel may be,” says Salem. For instance, contact center agents for an insurance company that are able to spot high-value customers when they search on their website to compare rates can offer customers a chat option to help them find the specific information they’re looking for.

Make self-service a positive experience for customers, including fast and easy ways for them to resolve their issues. “You’re shooting yourself in the foot and driving customers away if self-service takes 7 minutes when a customer could have resolved a problem with an agent in 30 seconds,” says Jarman. Companies need to deliver great self-service experiences the first time. Otherwise, customers won’t try a self-service channel a second time. That will prevent companies from reducing their support costs because customers won’t trust them to deliver a good self-service experience.

Redirect inbound callers to websites and other channels for faster response. When customers are in queue with a call center, they can be prompted to visit a company’s website to learn answers to frequently-asked questions, find solutions to basic service issues, or manage their account. By notifying customers that they can obtain information faster through self-service channels, particularly during periods when call center volumes are high, companies can deflect a substantial amount of costly contact center traffic to self-service channels.

Provide financial incentives for customers to use self-service channels, when applicable. Jarman points to a major video game distributor, which gives customers bonus points for using self-service that customers can then redeem towards purchasing games and other products.

Constantly remind customers which self-service channels are available. Too often, companies take a Field of Dreams approach to self-service: Build it and they will come. “You constantly have to remind customers the types of self-service tools that are available to them, where they’re located, how they can be used, and why they’re useful,” says McDonagh.

Cost avoidance

Companies need to identify the best opportunities for providing customers with self-service options where it makes sense. Too often, companies apply high-touch to low-touch support requirements unnecessarily, says Jarman.

There are subtle techniques companies can use to guide customers to use self-service channels. For instance, inContact recently worked with an online retailer that had begun placing hundreds of outbound calls to customers to update their credit card numbers. inContact’s consultants suggested a more efficient approach: When a customer’s credit card number is due to expire within the next month, send an automated IVR alert notifying people that their credit card number is about to expire. Customers could be given the option to press “1” and then enter the new credit card number to update the system. Or they could press “2” to be connected with an agent. Additionally, the IVR could direct them online to update their account.

Because most of the company’s customers were willing to key in credit card updates, the organization was able to dramatically reduce its agent call volume and human support costs for this initiative while continuing to provide customers with agent assistance when it’s requested, says Jarman.
Matching support with customer value
Since human support is typically the highest among channel costs, companies should also try to scale support based on a customer’s value to the organization, says Rogers.

“Everyone should get to a human being if they need to but it might take longer for a less valuable customer to be assisted by an agent,” says Rogers. “You want to make sure those customers aren’t costing the organization more than they’re providing.”

One way of doing that is by evaluating previous interactions with a particular customer and how much it cost a company to support them. Rogers points to a retail bank that has taken steps to segment its customers by the products they use and the value they generate to the bank. When high-value checking account customers have overdrawn their checking accounts, the bank notifies these customers by email that the overdraft charges have been waived. Not only does this reduce the costs of servicing those transactions but it helps engender greater trust and loyalty among those customers who are more apt to purchase future products with the bank.

It’s also critical for companies to understand and be able to predict peak and lull times for call volumes. By applying analytics to contact center data, including identifying peak periods for call volume, companies can optimize workflows in their support channels and be better prepared to connect their most valuable customers with the right agents.

Blending Self-Service and Agent-Assisted Support to Achieve Optimal Business Outcomes
Maximizing operational effectiveness through the use of self-service channels is an increasingly important trend in the contact center market. When implemented effectively, the combination of self-service and associated call deflection lowers service costs, speeds resolution for repeatable customer inquiries, and frees agents to support high-value customers. The following blind case studies are a few examples of inContact customers that have generated favorable business outcomes by striking an effective balance between providing self-service and agent-assisted support.

IVR self-service deflects 15 percent of customer calls per month
EZ Insurance analyzed patterns in customer contact center calls and customer preferences to help identify two key repetitive business processes that drive increased call volumes at peak times each month: balance inquiries and customer bill pay. After adding two self-service applications to its IVR menus to support customer inquiries in these areas, the insurer has been able to deflect 15 percent of customer calls per each month. Doing so has freed agents to spend more time handling complex customer issues and longer upsell calls.

Community-based self-service reduces volume of lengthy calls
After analyzing its contact center call volume, online entertainment provider Funsym.com discovered that some of its customers’ inbound calls were quite long and required agents to have an in-depth understanding of its games and the player experience in order to resolve customer issues. The requirements for additional agent training, combined with its already high customer churn and difficulty in attracting great agent candidates made it challenging for Funsym to improve the customer experience.

But by investing in online customer communities and developing a new program where members of its “Super-geek Supergamer” user group could resolve service issues and earn game credits, Funsym was able to dramatically reduce the volume of lengthy customer calls. Meanwhile, the user community became a great recruiting ground for home-based agents.

Preemptive social media–based self-service increases loyalty
PowerLife, a regional electric utility provider, had high call volume spikes during and after service outages, with customers calling to find out how long their areas would be affected. By proactively sending service alerts to its Twitter followers and Facebook fans, PowerLife was able to deflect calls to its contact center and use its proactive response to service outages to increase customer satisfaction and loyalty ratings.
Leveraging Social Media for Service Optimization

Consumers are increasingly flocking to Facebook, Twitter and other social media sites to connect with one another and comment about their experiences with companies and brands. This provides companies with rich opportunities to engage with customers.

“Conversations about your company and its products are going to take place. You can host them, join them, or watch helplessly as it unfolds behind your back,” says Rogers.

Companies need to get on the bandwagon when it comes to servicing customers through social media channels. According to Gartner Group, at least 35 percent of customer service centers will integrate some form of community/social capabilities as part of their contact center solutions by 2013.15

Social media channels also provide companies with an opportunity to proactively identify potential support issues to help deflect calls from the contact center. For instance, inContact works with a number of electric utilities and cable television providers that notify their Facebook fans if there’s a service disruption and provides estimates on how long the outage is expected to occur. “That’s effectively a call-deflection strategy,” says McDonagh. “People who see these alerts know they don’t need to call a contact center for an update.”

A conduit for customer feedback

Because social media provides consumers with both a one-to-one and one-to-many communications platform, it’s also become a vehicle for companies to obtain additional customer feedback around service, product, and quality issues that might not otherwise reach their organizations. Consequently, Jarman advises decision-makers to incorporate processes for gathering social media feedback and incorporating it into their voice of the customer programs.

Additionally, companies can assign a handful of contact center agents to monitor social media to spot and respond to customer feedback in order to deflect calls to the contact center. “You listen some, you talk some, you moderate some and you strike a balance between those three things,” says McDonagh. “It holds the promise bringing the entire organization together based on what the customer is saying. Companies that listen and react effectively are the ones that are going to win in social media.”

Conclusion

Because each customer offers different short- and long-term values to companies, it’s imperative for companies to differentiate the service provided to them based on their respective worth. “If anything, support services require more differentiation than products since they can be customized more easily to meet customers’ needs,” says Rogers.

In good times and bad, companies typically face budget restrictions that prevent them from providing five-star service to all of their customers. “In a perfect world you would treat all customers equally well,” says Jarman. “But in a pragmatic world that simply doesn’t happen. That’s why it’s critical to concentrate on who gets the very best service and make sure that you match your highest-value customers with the support experience they’re anticipating,” he adds.

By continually monitoring and measuring the customer experience—and by tracking customers’ stated preferences, as well as their actions and behaviors—companies can better determine how support is impacting critical business factors such as customer satisfaction, churn, and the value generated by individual customers or segments, says Salem.

In the end, says McDonagh, “it’s about growing the business and making sure the right customers and the right interactions are being handled by agents while other interactions are being handled by self-service.”

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–Gartner
inContact

inContact helps contact centers around the globe create profitable customer experiences through its powerful portfolio of cloud-based contact center software solutions. The company’s services and solutions enable contact centers to operate more efficiently, optimize the cost and quality of every customer interaction, create new pathways to profit and ensure ongoing customer-centric business improvement and growth.

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Peppers & Rogers Group

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We earn our keep by solving the business problems of our clients. By delivering a superior 1to1 Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus customer-facing resources to improve the performance of their marketing, sales and service initiatives.

For more information, visit www.peppersandrogersgroup.com

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