



## CFI Group **Insights** for Spring 2007

Welcome to the spring 2007 issue of CFI Group Insights.

We are very interested in your feed-back on CFI Group Insights. Please take a few moments to email us at [insights@cfgroup.com](mailto:insights@cfgroup.com).

### **CallSat 2.0 Helps Contact Center Managers Improve Financial Performance through Customer Feedback**

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The contact center is the primary touch point for many customers, and where the competitive battle is increasingly being fought. After years of focusing primarily on efficiency and internal metrics, contact centers are realizing that customer satisfaction has a direct impact on profitability. So, doesn't it make sense for customer satisfaction to be the *most valued metric* for determining contact center success?

CFI Group is bringing new insights to contact center management with the next generation of its contact center satisfaction measurement solution, CallSat 2.0 ([www.CFIgroup.com/CallSat](http://www.CFIgroup.com/CallSat)). CallSat 2.0 allows contact centers to measure and improve organizational effectiveness and impact profitability through a patented satisfaction technology - the same technology used by the University of Michigan's American Customer Satisfaction Index (ACSI). An additional benefit of the ACSI methodology is that it enables organizations to benchmark themselves against their contact center peers as well as across industries and functions.

"CFI Group specializes in providing its clients with precise, accurate diagnostic information, which helps them make the best decisions about how to strengthen their customer relationships in ways that will actually show ROI," explained Sheri Teodoru, CFI Group program director and partner. "In today's highly competitive business environment, customer loyalty can be won or lost based on a single contact center experience. It's critical for contact centers to understand how to improve or maintain satisfaction in the most economical ways given the unrelenting pressure to cut costs and improve efficiency."

CallSat 2.0 introduces a greatly improved web reporting experience with more powerful and flexible analytics. With a new dashboard feature and improved graphing capabilities, contact center professionals will be able to access and understand their results better than ever before. For more information, contact [steodoru@cfgroup.com](mailto:steodoru@cfgroup.com).

## Don't Let Growth Take Away Focus On Existing Customers

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Xavier Quenaudon

CFI Group Partner and Program Director

When companies focus on growth, it is easy for them to lose sight of their current customers. And if issues affecting current customers are not addressed in time, the wake-up call may be brutal. So what are the early signs that serious issues are emerging? And how can your Customer Satisfaction program help you identify the issues before it's too late?

A European cellular phone provider, referred to here as MyCellPhone, nearly became a victim of its own growth and success. The company launched in the mid 90's and quickly became successful attracting customers who were looking for an affordable alternative to the more expensive networks already in place. MyCellPhone's business premise was that customers were willing to accept a less-than-perfect network for lower rates, particularly if coverage in the largest cities was adequate. However, CFI Group identified early on that improvements in the network were vital if MyCellPhone were to *retain* its customers, so investments in the network's breadth (where do I have coverage) and depth (how well is it working) were intensified. Customer Service was a secondary priority at the time, along with other aspects of the customer experience.

Within 2 years of its launch, MyCellPhone had captured about 15% of the market, and after another 2 years, it was the leader in attracting new customers. Between Years 2 and 4, MyCellPhone implemented several targeted improvement initiatives that resulted in a 15% increase in its CSI, as customers perceived and reported vast improvements with the network as well as with most aspects of their experience with MyCellPhone. However, a serious issue was quickly emerging – one that could potentially lead to significant losses in customers were it not addressed promptly.

Results from the MyCellPhone's CSI program showed that, amid all the improvements taking place, customers were quickly becoming frustrated with the company's Customer Service practices (see Chart 1). While CSI was improving by about 15%, customers' evaluation of MyCellPhone's Customer Service dropped by about 18% and its impact on CSI just about *tripled* (see Chart 2) – making Customer Service a new priority for MyCellPhone if it wanted to stop losing customers in droves. Temporary fixes were quickly put in place, accounting for the improvements seen on Chart 1 after Q6, but problems soon return.

Chart 1

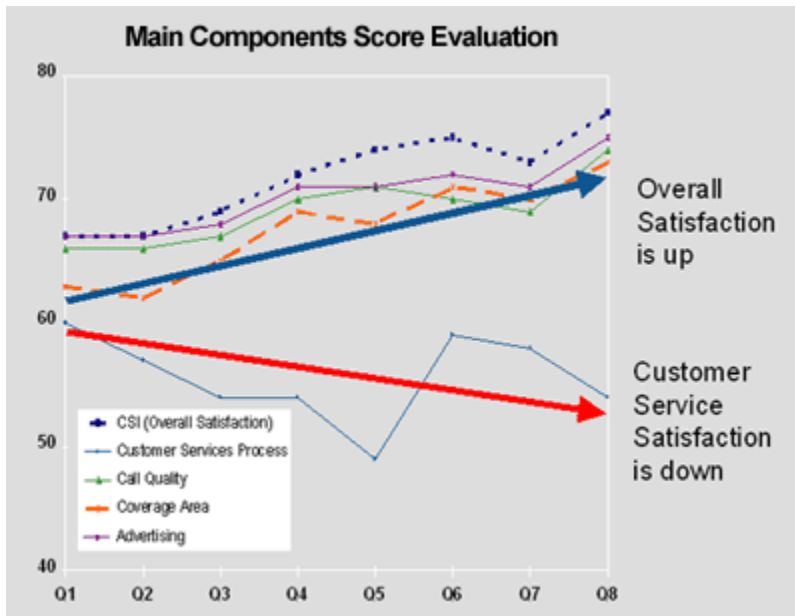
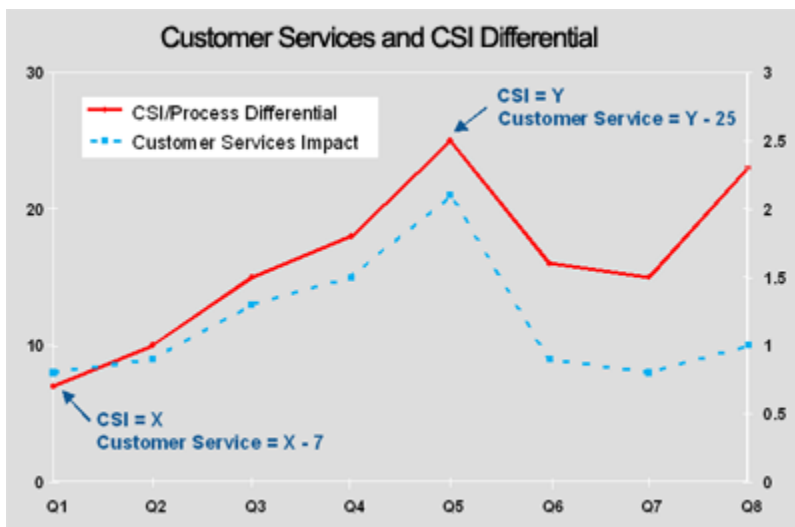


Chart 2



The root cause was easily identified: MyCellPhone was doubling its customer base every year and encouraged its customers to contact the company's Customer Service department for any question they may have. But the number of call center representatives during that same period grew by a much smaller percentage. The result: MyCellPhone's call centers were flooded with customer calls that the service agents were unable to address appropriately, as the priority was to answer calls (to reduce wait time) rather than solve the queries. For customers, the experience was therefore doubly frustrating. The average wait time was significantly above what was deemed acceptable, and once they made it through to an agent, their query was often dealt with in a hasty and unsatisfactory manner – making many customers frustrated and wanting to switch providers.

While the management team at MyCellPhone expected the performance score to be poor, it was surprised by the impact analysis, which showed that Customer Service had become the area with the most influence on customer retention – and therefore a new priority to address immediately. Consequently, investments

were made in additional staff as well as increased call capacity, and a new IVR was implemented. It took another year to see true payoffs, but by identifying this new pain point earlier rather than later – and realizing its profound effect on Customer Retention – MyCellPhone was able to minimize the loss of customers and continue to grow at a rapid pace, while enhancing its customers' experience.

## Problem Resolution: Make It a Positive Experience To Secure Loyalty

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Doug Helmreich  
Senior Consultant

Two months ago, Jill noticed a problem with her Internet Service provider bill. She dutifully called the toll-free number on the statement, waded through the maze of voice prompts, waited on hold for a few minutes, and spoke with an agent. The agent listened to her problem and said that the bill would be adjusted. Now she looks over her latest bill and realizes the error is still there. She calls again and eventually speaks with an agent who mentions that there's no record of her calling earlier. Jill spends 10 minutes on the phone re-explaining the problem and being assured it's being resolved. She asks for the agent's name to help give her some piece of mind. But when she hangs up, Jill knows that she is at the mercy of the agent to solve the problem.

Perhaps Jill will continue being a customer, or maybe she will find another service provider, or maybe she will mail a letter to the chairman of the board of the company. Most companies, in fact, have a process to handle such 'escalated' complaints. But should it take so much work on the customer's part to have a complaint resolved?

There is a long-held theory in customer satisfaction that customers who complain, *if handled properly*, can be more satisfied, and loyal, than customers who never complain at all. The reasoning is that the customer complaint provides the company with an opportunity to personalize the relationship and delight the customer.

The cost of a mishandled complaint is high. For one client, we found that customers who canceled their service were roughly 50% more likely to have registered a complaint than customers who did not cancel. In fact, in almost all of our client work, CFI Group has found that a customer with a problem is more likely to defect than a customer without a problem. Does this mean the long-held theory is wrong? No, it just means that problems are being resolved poorly. Among customers with a problem, the process of resolving the problem is usually *the* dominant driver of satisfaction and loyalty. Unfortunately, many firms lack the resources to provide an optimal response to complaints. What can companies do to improve the process of handling customer complaints?

The answer almost always lies in actually resolving the problem and following up with the customer. While call centers are often staffed with enthusiastic, cheerful agents, they may lack either the experience or authority to completely resolve a customer problem. And if the agent dutifully records and reports the problem, there often is no systematic process in place to follow-up on the complaint with a customer.

In study after study, CFI Group has found that the three lowest-scoring elements of problem resolution are:

Quick resolution of the problem

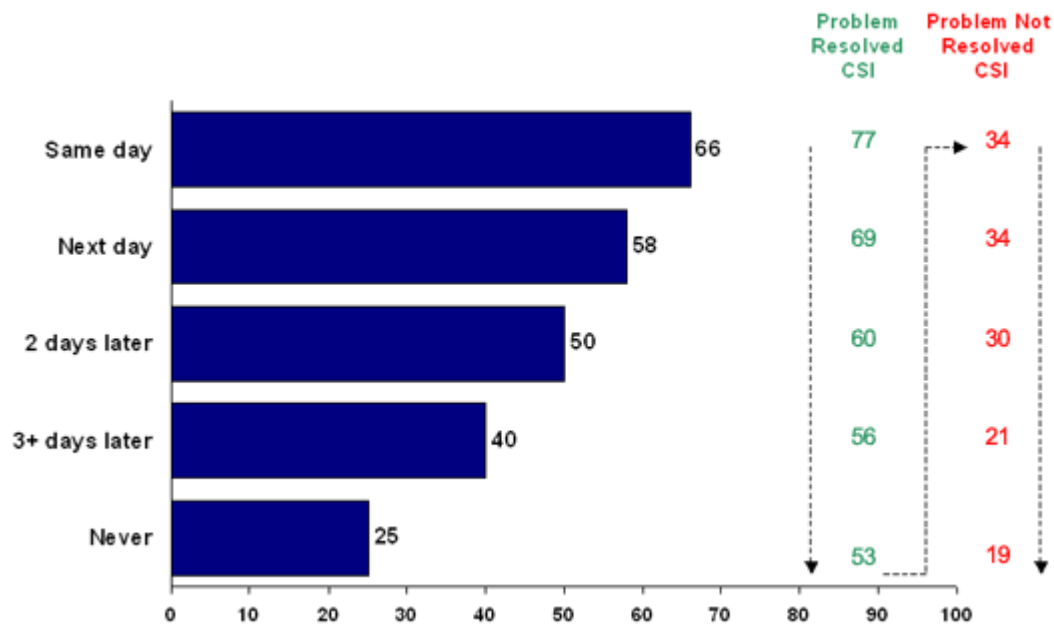
Complete resolution of the problem

Follow up to make sure the problem has been resolved

For many companies, follow-up is haphazard at best. Either the proper systems are not in place or the volume of complaints is too high, and as a result many customers are left in Jill's shoes, unsure of whether the complaint has been resolved. For follow-up, most customers just want to know that they are not forgotten. A simple procedure would be to provide a callback to any event not marked as resolved within one week of the customer complaint, and to make sure that procedure is known to the customer.

Beyond establishing clear protocols and internal alerts for following up with a customer, should companies focus on a *quick* response or a *complete* response? Obviously, the best answer is both. But what if that is not possible?

The chart below shows CSI scores by the length of time it took for the company to respond to a query. Not surprisingly, customers who received a response the same day have the highest CSI, while those who received a response 3 days later are less satisfied. So it is true that faster is better. But if we split out customers between those who had their problem resolved successfully and those who did not, we get the more complete picture. If a company *never* directly responds to a customer, but that problem is eventually resolved in some fashion, the customer is more satisfied than if the company gets back to the customer the same day but without a solution.



In short, talk is cheap; results matter. Customers far prefer a delayed, complete response to a premature, inadequate response. As companies decide how to invest in support tools and resources, they should focus on giving agents the ability to solve a problem, or at least the knowledge of how to route the problem to the right person. Companies will be rewarded for providing proactive follow-up with customers who complain.

## ACSI: Customer Satisfaction Improvement Slows

Q1 2007: Utilities; Transportation & Warehousing; Information; Health Care & Social Assistance; Accommodations & Food Services

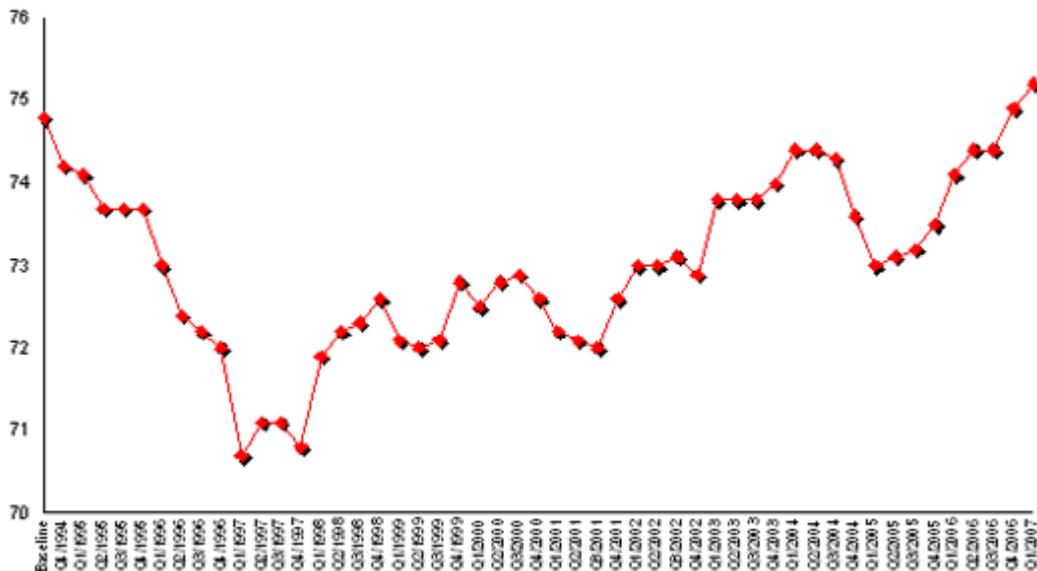
The upward trend in the American Customer Satisfaction Index (ACSI) continues, but not all signs are favorable. ACSI is up by 0.40% to an overall score of 75.2 – the second consecutive quarter of all-time highs. Yet, this quarter showed signs of weakness with more decliners than advancers. In addition, the 0.40% increase was down from the 0.70% increase seen in Q4 2006.

Perceptions of quality, as experienced by customers, continues to lag improvements in customer satisfaction. The rise in customer satisfaction is mostly attributable to lower prices. The Consumer Price Index (CPI) did not increase much at the beginning of the year and the higher March CPI was mostly limited to food and energy.

Pricing power depends on upward shifting demand curves. A further upward shift is unlikely unless there is shrinking supply or higher levels of buyer satisfaction. There are no signs of shrinking supply in most industries, so buyer satisfaction becomes more critical in supporting continued growth in consumer spending.

While most forecasters predicted a weakening of consumer spending in the final quarter of 2006 and also for the first quarter of 2007, ACSI data pointed to an increase in spending growth of 3.5% to 4.1%. Actual first quarter growth was 3.8%, in the middle of that range. The forecast for the second quarter is continued spending growth, but at a more modest level of 3.1% to 3.9%.

**ACSI 1994 to Q1 2007**



For more information on the ACSI and its most recent release, visit [www.theACSI.org](http://www.theACSI.org).