Making the most of customer contact

Is your organisation utilising all of its capabilities to gain customer loyalty?

A white paper from the Henley Centre
Sponsored by BT
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The digital networked economy is a dynamic environment where the challenges for businesses are evolving and growing in complexity. Organisations exist in a connected world, driven by an increased focus on quality of service and customer care, 24x7. Enterprises need to make the most of their systems and processes to help them meet these rising service expectations.

This emerging environment isn’t just about business drivers, technology drivers are playing a big part too. Harnessing the ability to process data and the ability to connect creates opportunities and new ways of working that have long been talked about, but until now, were impossible.

The ability and propensity to ‘switch’ suppliers has driven consumer power to an all time high. It is increasingly difficult to gain loyalty in an environment where sophisticated and demanding consumers expect more for less. Achieving customer satisfaction and retention in a cost effective manner against tough competition has become one of the biggest challenges facing businesses today.

BT has sponsored a white paper written by the Henley Centre to address this key issue. This recent research highlights an apparent contradiction: ‘47% of UK adults claim to have switched a provider in the last year’, yet ‘81% of consumers claim they would prefer to be rewarded for their loyalty to one company’.

Intense competition has driven a dramatic increase in acquisition based marketing strategies, despite customer retention being up to five times more profitable than acquisition. This is characterised by the significant growth of marketing campaigns and incentives to change suppliers. Ironically this has created a new breed of well informed and promiscuous consumers that regularly reconsider their choice of suppliers and service providers.

The case for investing in customer retention activity is now essential for survival. There is enormous potential for CRM (Customer Relationship Management) implementations to move beyond managing customers to delighting them; the opportunity to impress when managing inbound customer contact and to add value with proactive outbound contact. Until now, the relationship factor has been largely left out of the CRM equation. However, this is the very thing that creates the customer satisfaction and loyalty that underpins the ability of a customer management strategy to deliver profit and greater return on investment.

The Henley Centre have identified some thought provoking evidence to support the case for focussing on customer retention. Their research found only a third of companies collect customer retention rates and one in five measure lifetime value. They concluded that few organisations are using CRM for customer retention.

As a CRM practitioner, partner and supplier, BT have developed a good understanding of the drivers of customer satisfaction that lead to loyalty. In our experience, it is important that the customer feels they have consistently received an individual and relevant experience regardless of the channel used. Balancing this with the need to be operationally efficient the challenge is to provide this ‘mass personalisation’ or ‘corner shop experience’ on an industrial scale.

Gaining a real time, single customer view across all data sources is key to determining an appropriate customer journey and experience. Achieving first contact resolution, where contacts are managed at the right place, first time, drives both customer satisfaction and business efficiency. By utilising and mapping resources effectively and leveraging automation where suitable, the results are a high quality, consistent experience for every customer underpinned by an agile operating model.

The ‘Making the Most of Customer Contact’ white paper provides a valuable insight into customer retention and loyalty, the increase in switching, guidance and case studies on how to address these issues. At BT we have a wealth of experience in delivering CRM solutions that get results both for ourselves and for our customers. Contact your account manager to obtain more information on how BT can help you make the most of every customer contact.

I hope that you find the paper thought provoking and helpful.

Gaby Heppner-Logan
General Manager, CRM
BT Retail
Across UK customer service industries, competition is intensifying while consumer loyalty is plummeting. Serial and multiple switching are rife:

According to Henley Centre research 47% of UK adults have switched a service provider in the last year

In response, companies have pursued customer acquisition and encouraged disloyalty, often at a high cost and with little long term return. Many consumers, however, are looking for service performance rather than the cheapest price. This paper suggests how these different sets of customers can be identified, approached, and most importantly, retained.

The potential returns from customer retention are far higher than from customer recruitment. Academics claim that retaining customers can be up to five times more profitable. Yet in practice, companies see retention as too difficult to measure or manage. The major barriers to retaining customers are a lack of customer information and weak customer intimacy. These customer management basics are only being used to effect by a third of companies. This paper discusses the value in, and foundations for, retaining customer relationships.

Customer Relationship Management systems have far greater potential than is currently being realised to assist in retention of the right customers, at the right service levels, across organisations. Some companies are starting to get ahead; the majority however, are only now realising how much they could do and the potential returns. According to research, 80% of companies are not using CRM strategies to their fullest advantage.

In order to help you in the battle for customer retention, this paper introduces four potential strategies, complete with ‘from the field’ experiences and best practice, for making the MOST of customer contact management:

- **Multi-channel management** – co-ordinating customer channels
- **Outgoing contact** – proactively making meaningful and welcome contact
- **Single customer view** – breaking down divides in data and departments
- **Targeted marketing** – greater returns from less communication

These principles, coupled with detailed case studies of companies who have successfully implemented them, will provide suitable inspiration and guidance for after investment in customer contact management potential further development and deployment in your business.

**Fig 1: Customer retention management**

<table>
<thead>
<tr>
<th>Outstanding</th>
<th>Multi-channel management</th>
<th>Outgoing contact</th>
<th>Single customer view</th>
<th>Targeted marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>Managing information</td>
<td>Retaining revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>Consumer segmentation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Do you consider that you are using your investment in customer contact management to its maximum potential?

Refer to the Healthcheck questions in the appendix to see how well CRM is working for your organisation.
Methodology

This white paper has been commissioned by BT and written by Henley Centre and commissioned by BT. Henley Centre has integrated a combination of existing thinking on the subject of CRM with new research and interviews with advanced practitioners. The result is an impartial overview that captures the latest thinking on CRM.

The consumer research cited in the first section is predominantly drawn from Henley Centre’s proprietary Planning for Consumer Change research programme, as well as previous primary research conducted on behalf of BT. In addition, we conducted a small survey of companies belonging to the CCA (Call Centre Association) to gain individual feedback and opinions on CRM implementation within those companies.

The report also draws on numerous secondary research studies and reports on the status of CRM and its use by current practitioners. The intention is to build on the wealth of industry knowledge already available. We have incorporated key findings from reports published by the following CRM providers and consultants: KPMG, IBM, Giga, Aberdeen Group, Gartner, QCI, Datamonitor, OgilvyOne, Robert Shaw, Conquest Market Intelligence, Hoggett Bowers, Pitney Bowes.

The report also includes a number of case studies. The major case studies in Part III were based on primary research with BT customers and partners. Other examples of CRM practice have been taken from BT’s own extensive experience of deploying CRM, industry journals or published case studies from CRM practitioners.

Fig 2

Problems facing organisations

- Churn & switching
- ‘Passive loyalty’
- Dissatisfaction with customer experience
- Non optimal ARPU
- Weak customer intimacy

Maximising customer management assets and making the MOST of customer contact.

- Improved customer experience
  - Retention
  - Loyalty
  - Advocacy

Multichannel management
Outgoing contact
Single customer view
Targeted marketing

- Maximising customer management assets and making the MOST of customer contact.
- Improved customer experience
  - Retention
  - Loyalty
  - Advocacy

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Part I: Switching to customer retention

Companies used to be able to take customer loyalty for granted. Today, loyalty is in shorter supply and customers are harder to retain than ever before.

In research from Henley Centre’s Planning for Consumer Change, only 65% of consumers claim that ‘when I find a brand I like, I stick with it’, as opposed to 75% a decade ago. Indeed, 36% of all adults, rising to 43% of 15-34 year olds, claim to actively enjoy switching between brands irrespective of whether they have had a poor or pleasant experience.

Much of this disloyalty is of the suppliers’ own making. De-regulation and lower barriers to entry have opened up utilities, financial services and telephony to new entrants and customer migration. The resulting competition and need to differentiate between providers has fuelled consumer choices, exposure, expectations and demands on service providers.

• An explosion of choice: in the last 25 years, the number of brand registrations per year in the UK has grown by 600% (World Intellectual Property Organisation)
• More mass marketing: in the last 15 years, the number of brand messages the average adult is exposed to per day has grown from 650 to 1600 (J Walter Thompson)
• Growing expectations: in the last year, 40% of consumers have complained about a brand to a company (Henley Centre, PCC)
• Increased demands: 63% of consumers claim to be ‘more demanding than I used to be’ in their contact with companies (Henley Centre / BT Teleculture).

Driving disloyalty

Given the pressures from competition, customers and shareholders, companies have been tempted to focus on short term returns and customer acquisition – a simple and measurable objective:

• Incentivising customers – via introductory discounts and deals.
• Measuring performance – customer additions quoted for the city.
• Rewarding employees – on commissions and bonus schemes.

Compared with retention, it is easier for companies to understand the reasons for and to concentrate activity under customer acquisition. However, it is at best a finite boost and at worst a destroyer of the economic value of existing business. In mature markets, such as telephony, financial services and utilities, if every company is investing in acquiring customers then they are collectively sponsoring disloyalty. For example, introductory 0% credit card offers lead to serial switching of brands for new customers, and for existing ones to wonder if they are being ripped off.

In Henley Centre research the vast majority of consumers (81%) claim they would prefer to be rewarded for their loyalty to one company but are instead being driven by the marketing and offers of many to be disloyal.
Suffering from switching

Switching is now a significant issue across most customer service industries, and consumers are making the running in terms of the volume, diversity and frequency of switching behaviour. From Henley Centre’s research into consumer stated switching:

- 47% of UK adults claim to have switched a provider in the last year
- 36% switched two or more services in the last year
- 15% have switched provider of the same service multiple times.

This dramatic growth in multiple and serial switching of providers should be of acute concern to companies.

Multiple product switching suggests that consumers expect the same choice of supplier, differences of product and levels of discount across more and more product categories.

Serial switching suggests that investment in recruiting customers is a lost cause as they churn to a competitor so quickly.

Both switching phenomena lead to an increase in marketing expenditure with less certainty of return.

The chart below suggests that the utilities and insurance markets respectively are the worst afflicted by multiple and serial provider switching.

Fig 3: Switching service suppliers

<table>
<thead>
<tr>
<th>Service</th>
<th>Likely to change supplier in the next 12 month</th>
<th>Changed supplier in the last 12 month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Car insurance</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Gas</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Credit card</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Mortgage</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Mobile phone network</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Landline</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Internet service</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Current account</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Henley Centre, Planning for consumer change 2003 (excl DK/NS)
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If consumers are so restless that they switch again and again, what are they looking for?

For the majority of consumers and the majority of services, price is still the major reason for switching. Again, it is the commoditised categories of utilities and car insurance, where price is comparable and product undifferentiated between providers, which are most vulnerable. As the chart below illustrates, in these product categories price drives the decision to switch in over 70% of cases. The price wars in these sectors are fast reaching an unprofitable conclusion, with providers now forced into headline-making price increases. Service providers may have felt forced into joining the ‘battle to the bottom’ of prices, but must now realise they can no longer compete purely on price and need to think about the holistic customer experience.

In other categories, notably internet service providers (ISP), mobile phones and current accounts, price is a relatively minor concern for switchers. Perhaps this is due to the complex and oblique pricing strategies of suppliers. However, it is notable how highly consumers rate quality of service and experience as a reason for changing supplier. For consumers, these are services used on a daily basis to provide access to important things – content, people and cash. Contact, however, with the companies, may be relatively infrequent and all the more exceptional and important for its infrequency. For companies, these are long term customer relationships that are the springboard to selling other, higher margin products. Clearly a high quality of service should be paramount for both parties – many companies, however, have made headlines for cutting costs or charging premiums for customer service.

### Fig 4: Drivers of switching

**What made you switch suppliers**

- Better price
- Better product
- Don’t know
- Better service
- Other reason

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Better price</th>
<th>Better product</th>
<th>Don’t know</th>
<th>Other reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Electricity</td>
<td>84</td>
<td>74</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Gas</td>
<td>73</td>
<td>72</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Landline</td>
<td>71</td>
<td>71</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Credit card</td>
<td>19</td>
<td>17</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Mortgage</td>
<td>11</td>
<td>10</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Internet Service Provider</td>
<td>11</td>
<td>10</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Mobile Supplier</td>
<td>22</td>
<td>21</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Current account</td>
<td>45</td>
<td>44</td>
<td>29</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Henley Centre, Planning for Consumer Change 2004 (excl DK/NS)
Base: consumers who had switched in the last 12 months
Most companies can buy a customer at a low (often loss leading) price. Far fewer companies are able to distinguish themselves by retaining a customer through non price-related methods. Henley Centre research suggests that customer service and experience has become the key to customer retention:

- 65% of consumers cite good customer service as a reason for staying with a provider
- By contrast, only 22% stay due to loyalty incentives or other financial rewards.

Long lasting relationships rarely have money at their centre. Customer service and a positive experience is as much an investment in future revenues as an economy on current give-aways.

The challenge facing companies is to provide exceptional service and experience to those who will value it and to limit their investment in customers who will not.

The previous section suggested that the majority of customers can be tempted to switch by price but encouraged to stay by service. Further research suggests some core differences in consumer susceptibility to these according to product category. The responses to questions in BT’s Consumer Needs Research allows examination of the importance of ‘pull’ and ‘push’ drivers of switching in different product categories.

There are clear differences between industries:

- Over two-thirds of switching activity in utilities is initiated by the provider, whereas over 80% of switching of ISPs or mobile phone providers is initiated by the customer
- Utility companies attract predominantly by price, while telecoms companies repel by poor customer service. Only 71% of mobile phone users claim to be currently satisfied with their current provider.

**Fig 5: Pull and push switching**

<table>
<thead>
<tr>
<th>Service</th>
<th>Pull factors</th>
<th>Push factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity supplier</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Gas supplier</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Main home phone (landline) provider</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Internet service provider</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Mobile phone network provider</td>
<td>88%</td>
<td>12%</td>
</tr>
</tbody>
</table>

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These differences no doubt reflect variation in marketing tactics (door stepping versus cold calling) and customer interaction (quarterly bill versus pay as you go). However, customer behaviour is not uniform to product category.

It is vital for a company in any industry to be able to distinguish on an individual level which customers they are likely to lose to competitive offers and which they should be able to retain through superior service and experience.

This cannot be achieved simply from company-held customer information. Henley Centre’s work suggests that a change in personal circumstances (e.g. moving house), familiarity with a new market entrant or recommendation from friends or family can all cause switching in what appears to be the most loyal of customers.

Our research suggests that there are two key consumer attitudes useful in predicting consumer propensity to switch or stay:

- Current level of satisfaction with provider – measured by a stated satisfaction score with current providers
- Level of activity in seeking out new providers – measured by whether they have recently switched or are considering switching.

Both measures are derived from questions included in Henley Centre’s Planning for Consumer Change research. These asked a large sample of UK adults about their satisfaction and attitude to switching for a number of different product categories. In each case, respondents were answering about their own experience with their own current service provider.

Correlating the answers from these attitude statements has identified four types of customers that demand different types of relationship with companies. There are some variations by industry sector, but the characteristics of the customer segments are broadly similar across them.

- **Push Switchers** – those who are broadly satisfied with their providers but have been tempted to switch by others
- **Pull Switchers** – those who are not satisfied with their current providers and are pro-active in regularly switching
- **Active Loyalists** – those who are satisfied with their current supplier and are not considering switching
- **Passive Loyalists** – those who are not satisfied with their current provider but stay due to inertia.

Source: Planning for Consumer Change 2003
Below are some key differences and suggested strategies for managing relationships with these different types of customers.

<table>
<thead>
<tr>
<th>Satisfied</th>
<th>'Active loyalists'</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Push switchers</strong></td>
<td><strong>Lucrative and upmarket</strong></td>
</tr>
<tr>
<td>Looking to stay – a quarter would stay for loyalty schemes and a third because the provider is established</td>
<td>28% are social grade AB</td>
</tr>
<tr>
<td>Service is the main attraction – two thirds switching a credit card or mortgage thought service would improve</td>
<td>Keen to develop relationships – the number trusting their current account provider is far higher than average</td>
</tr>
<tr>
<td>Open to suggestion – 55% like getting unsolicited mail from alternate providers</td>
<td>Receptive to customer service – 69% would stay with a company because of excellent service</td>
</tr>
<tr>
<td>Influenced by friends and family – 26% of those switching landlines knew someone else who had already switched (three times more than average)</td>
<td>But often the silent majority – 44% have done nothing to communicate with a provider in the last year</td>
</tr>
<tr>
<td>Potential long term customers who are looking to be won over by their current providers. Pro-active contact essential.</td>
<td>Loyal customers who are unlikely to defect but who should not be taken for granted. Deliver customer experience according to their value, not just as and when asked.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Switch</th>
<th>Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pull switchers</strong></td>
<td><strong>Passive loyalists</strong></td>
</tr>
<tr>
<td>Young and affluent – 69% are under 45 years old, 62% are ABC1</td>
<td><strong>Settled customers</strong> – 49% are 35-55 years old</td>
</tr>
<tr>
<td>Deals on their own terms – 51% don’t trust their bank, and 38% source financial service products online</td>
<td>Apathy reigns – unlikely to switch providers for either price or service: 53% simply can’t be bothered to switch</td>
</tr>
<tr>
<td>The hardest to please – twice as likely to believe switching will improve service – 90% switched their current account</td>
<td>Stand off from companies – 60% resent companies holding information on them</td>
</tr>
<tr>
<td>The most likely to complain – 75% have complained in the last year, and twice as likely to have done so on the phone or face to face</td>
<td>One way communications – 70% have complained in the last year through an email or letter, but a third dislike receiving unsolicited mail</td>
</tr>
<tr>
<td>High value customers, but are likely to take up too much resource and provide little long term value. Manage through self-service channels</td>
<td>Customers who may switch in their own time, but only careful investment in them is likely to be rewarded. Require highly targeted communications.</td>
</tr>
</tbody>
</table>

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The key finding:

Over three-quarters of consumers are interested in having an active relationship with their providers, and service and communication are the most important factors in this relationship.

The small minority of customers who are not interested in either are probably too easy for others to attract and a wasted investment to try and keep.

Accordingly, providers need to shift their attention and resources to meet the demands of their loyal customers. Investment in the service standards and levels of contact that they warrant, but may not always demand, is likely to generate a far greater return. In particular, companies need to be able to maintain levels of customer satisfaction and engagement, which if neglected may dislodge dependable custom.

Advanced customer relationship management technologies are able to provide many of the early warnings necessary, and help to rectify them. However, many companies have not either recognised or invested in these capabilities to date.

In the Call Centre Association (CCA) survey, whereas 85% of respondents defined CRM as 'an organisation-wide, customer-centric approach to managing the customer interface – contact, communication, targeting etc', in only 22% of cases was CRM a company-wide initiative, and 11% of CCA companies had no CRM system whatsoever.

In the next section we examine why this is.
Are you maximising your assets? Are you using CRM to its fullest advantage?

CRM (Customer Relationship Management) currently seems an expensive business because its true value has yet to be realised.

In 2001 the Aberdeen Group estimated that the global CRM market would grow from $13.5 billion in 2001 to $27.8 billion in 2005. The growth in the market has led to many new entrants, technologies and solutions. According to Giga:

‘The competition between large and mid-tier vendors will become fierce much sooner than expected.’

The bottom line: the high levels of investment made by companies through a wide range of CRM providers must be justified by significant increases in cost savings and revenues.

In 2001 doubts were already emerging about whether such returns were realistic. A much quoted report by Gartner predicted that by 2006 over 50% of CRM projects would have failed to meet their objectives, and investment would fall as a result. High costs and negative experiences since then have made many companies sceptical about ‘CRM solutions’.

Problems cited by CCA survey respondents include ‘huge retraining implications’, ‘the speed and stability of the system’ and ‘obtaining buy in from other areas of the business who do not deal directly with customers’.

The prophecy has proved only partially correct: KPMG’s ATOL study in 2003 claimed that while only 57% of respondents had increased investment in CRM in the last three years, 83% felt their initiatives had been successful.

80% of companies are not using CRM to its fullest advantage.

Only 50% of customer service or loyalty departments report ‘some’ or ‘full’ success in their CRM schemes. As a result, the promise of revenue growth as a result of CRM implementation has been slow to materialise. Only 28% of retail firms and 27% of finance firms claim that CRM has been ‘valuable’ to their company profitability.

We believe this is because CRM schemes have been over-promised in some instances and undersold in others. CRM has been positioned as an IT-led transaction management system with cost-cutting potential rather than an asset which can be used by marketing to enhance the customer experience. True CRM is as much an approach to effective customer service as a specific technology or project. The emphasis remains on cost cutting and up-selling rather than protecting current custom.

Relationships are top of the agenda of most consumers – are they top of your agenda?
The case for customer retention

This wrong emphasis is limiting the potential market of CRM to solution providers, the potential returns of CRM assets to their clients and the potential benefits of CRM to consumers. Only 11% of CCA survey respondents felt that ‘customer retention and loyalty’ was the primary objective of CRM in their company.

‘CRM hasn’t taken off in the UK because the emphasis has always been on acquisition rather than retention.’

Major UK Credit Card provider

This is surprising, given that there is no shortage of theory on the economic case for prioritising customer retention:

- Recruiting a new customer is five to seven times more expensive than selling to an existing one (Kotler)
- Increasing customer retention by 5% a year can increase customer profitability by 25-100% (Reicheld)
- A dollar spent on advertising yields less than $5 in incremental revenues, whereas one dollar invested in customer experience, can yield over $60 in incremental revenues (Hurst).

Organisations involved in measuring CRM performance have found that it can have a profoundly positive effect on the customer. According to QCI’s CMAT study, the typical CRM initiative delivers a 12% increase in customer retention and a 20% increase in customer satisfaction. When compared with other initiatives, CRM has provided the highest positive impact on customer experience (88%) and helping to retain the customer base (78%).

CRM clearly has a broader potential remit than companies have given it credit for. Rather than simply an economy on customer transaction processing, investment in CRM can achieve many of the objectives of front line marketing and customer support. It is a crucial tool in influencing customer satisfaction, which is now a Key Performance Indicator for many organisations. CRM can become a focus for customer retention strategies if it is suitably deployed.

Egg, the online financial services provider, lacks the visibility and marketing budgets of its high street rivals. In 2003 brand and marketing spend fell marginally to £34 million. In 2001 Egg invested £7 million in a customer data warehouse to provide a single view of all account holdings and to identify triggers to purchase.

Egg now runs over 80 campaigns a month to segments of its customer base. Response rates and product applications have increased six-fold due to the incorporation of interactive links and real-time credit checking. Customer loyalty has also been boosted through managing the confirmation of transactions through automated channels.
A lack of customer knowledge

Why then are most companies not utilising CRM to monitor, measure or manage customer retention?

According to research by OgilvyOne into existing and potential CRM users, the most common failings result from a basic lack of customer knowledge:

- Only a third of companies collect customer retention rates and one in five measure lifetime value
- Two-thirds do not know how many high value customers they lose, and three-quarters don’t know why they are lost.

If companies are to understand the role of CRM in driving customer retention they must first be able to measure the end result. The information needed to calculate and then forecast the above should be core to CRM initiatives. Their absence for a significant number of companies suggests that CRM is falling at the first hurdle of aiding the gathering, analysis and action upon customer information. According to KPMG, 44% of companies surveyed rated customer information as ‘very important’ to reducing customer churn. However, when these respondents were pushed for details they were able to provide:

‘little evidence to suggest that there is any assessment of which customers are defecting or their underlying value to the business.’

The first many companies know about customer retention is when it has failed and the customer has already departed. One CCA survey respondent noted that, ‘the causes behind customer complaints can be very varied and are mostly outside our control, hence it is often difficult to interpret true causal factors and improve customer service’. The onus is on companies to be proactive with the information they hold from the outset, rather than to accumulate data for its own sake and for purely internal purposes. As CRM expert Robert Shaw suggests, information without a relationship is worthless:

‘The fundamental reason why CRM strategies are failing to deliver the promises of customer satisfaction, retention and profitability, is that CRM solutions offer only a mechanism by which we can gather, manage and analyse customer information. The relationship factor has been largely left out of the CRM equation. However, this is the very thing that creates the customer satisfaction that underpins the ability of a CRM strategy to deliver profit and return on investment.’

(Measuring and Valuing Customer Relationships, Dr Robert Shaw)

In other words, it’s difficult to gather and use data on a customer who is already out of the door. Effective information collection is a mutual process: it is as much about what customers volunteer to companies as what the companies’ databases tell them about customers. As a result, CRM depends on an active customer relationship. Companies must be able to pre-empt customer activity in order to boost retention. They need to know more in order to do more: they need to take the initiative. The most visible and tangible means of so doing is to improve customer contact and communication.

In the US, Jaguar remains a niche brand trying to gain a foothold in the premium market. Without a long history with customers or dealerships, Jaguar had to use what was to hand to encourage repeat purchase from existing customers.

Current customer data was analysed to pinpoint target ‘warm’ contact with existing customers, with the most suitable time, channel and offer specified. The initiative has increased lease renewal rates from 25% to 39%, leading to a significant contribution to profit margins even while marketing costs have fallen.
Four practical applications of CRM

There is enormous potential for CRM implementations to move beyond managing customers to delighting them. There are two key principles to doing so:

• Handling inbound communication more effectively than peers
• Making outbound contact that improves the customer experience.

In the next sections we concentrate on four practical applications of CRM that we believe meet these objectives and will enable companies to make the MOST out of CRM investment.

- **Multi-channel management** – 41% of companies do not record customer contact channel preferences
- **Outgoing contact** – only 35% of companies bother to thank new customers
- **Single customer view** – only 9% of companies involve all relevant departments in CRM initiatives
- **Targeted marketing** – 44% of companies do not have a policy to avoid over-targeting of marketing communications.

Source: OgilvyOne statistics 2003, QCI Report ‘State of the Nation III’

Although we examine each application separately, it is important to remember that they are interlinked and work cumulatively on the customer.

Getting one right gains the information and customer permission to embark on the other: similarly there is no point in excelling in one at the expense of others. There is little customer value, and far higher business risk, in the marketing department sending a welcoming email to a customer who has just informed customer services that they only want to be contacted by phone.

As one CCA respondent comments, a frequent problem is ‘co-operation between departments responsible for different customer touchpoints, and recognition that this is a key programme at senior management level’.

Multi-channel management

The theory...

‘How often do you order goods from Amazon? How often have you talked to a human being at Amazon? Never. E-CRM, if well-executed, can provide good service that earns loyalty.’

(BT Project by Henley Centre)

Changing channel strategy and managing cost to serve has been a precarious business for companies. When asked in research, companies claim that face-to-face or phone contact with existing customers yield both the highest costs (50% agree) but also the highest customer satisfaction ratings and overall ROI (37% agree) (KPMG ATOL study).

Consumers have also been wary of a wholesale shift to automated or interactive channels. 73% of consumers believe new technology is implemented only to benefit the company. However, it is often in the interest of both to use channels differently on different occasions. Automated channels may be the most efficient way of checking a current account balance, but are less effective when querying the latest transaction shown. An integrated contact system that is able to co-ordinate use of channels according to customer need, value and preference – and move seamlessly between channels – can increase efficiency and satisfaction of service simultaneously.

As one CCA survey respondent commented, CRM makes it ‘easier to complete and pinpoint customer needs’.

The reality...

According to Conquest Market Intelligence, the possibilities of channel management are not being fully exploited. Only 35% of companies with CRM strategies and multiple channels to market have undertaken initiatives to improve multiple channel management. In these cases, channel extension (80%) and channel consistency (73%) were prioritised over cost saving or encouraging customer self-service (60%) as a major goal of integration. This implies that additional channels are seen solely as an additional cost.
Evidence suggests that there is no incongruity in developing customer satisfaction and channel automation. The success of ATMs and self-service airline check-ins reflects how for some customers, for some interactions, speed and flexible access are more important than the personal touch. Research from Datamonitor suggests that introducing self-service, in this instance on the phone, will typically boost customer satisfaction and profitability – and notably also the number of times the consumer is in contact with an organisation.

Companies have tended to use automated channels as a way of cheaply adding value to existing ones. In the travel industry, everyone from airlines to taxi-cabs now send SMS reminders or updates to passengers to keep them to schedule and to pre-empt incoming enquiries. The original booking, however, is still completed via an operator. The next step is to truly integrate inter-person and automated channels in such a way as to give customers the confidence to use the latter for most enquiries, with the choice to connect to the former at the vital moment – especially when they are about to sign-up or defect. Companies achieving this balance have experienced strong returns:

Fig 6: Benefits of phone automation

- BUPA’s web based Heartbeat service supplies staff, brokers and customers alike with customer history, product information and personalised quotes for use in health insurance sales. The availability of information online has reduced the renewal process (normally finalised by phone) for existing customers and boosted the sales conversion from leads from 10% to 50%.

- Avis, facing increasing volumes of contact and complaints, updated their customer service centre from ‘database plus paper trail’ to one that integrates phone, email, fax and letter. The use of multiple channels has reduced call waiting and call abandon while also boosting customer satisfaction. It has also allowed for a reduction in staffing and boosted productivity by 10%.

Source: datamonitor
Best practice...

- Ask about channel preferences at the outset... but be ready for these to change
- Consider how automated channels used appropriately will free up operators for proactive contact strategy and ‘value-added’ services
- Consider new automation services – e.g. BT’s automated change Friends and Family number service, and the ability to register a bill being paid
- Keep personal channels on-demand and accessible but in reserve e.g. web Call-Back button, or speak to an operator function
- Make more information readily available: customers will do more of the work, but expect you to be equally well-briefed.

Your multi-channel management

Do your customers have the choice of their preferred channel?

Are you able to share customer data seamlessly across these channels and keep a record of all customer interactions no matter the channel?

Are you able to automate customer contact where appropriate or desired, retaining the option to speak to a live agent when desired?

Does such automation activity free up agents for necessary and desired live contact?

The theory...

Proactive contact is the most important communication for customers who are disengaging from a provider and considering switching. In many cases they are the hardest customers to reach and influence through conventional means. Timely, unexpected contact with an appropriate offer may well retain or even increase their custom. 30% of CCA survey respondents felt that the primary objective of CRM in their company was ‘proactive customer contact to enhance customer satisfaction’.

The reality...

Most pro-active contact is predictable and inappropriate because it is usually precipitated by inbound customer contact. This triggers a standard response at an inopportune time in the customer relationship. For example, a European financial services company found that customer defection rates had reached 12% (three times the industry average) for their highest value customers because they were ‘irritated at being sold to’ directly after making contact.

Genuine pro-active contact with a purpose is better received and rewarded by customers, particularly if at a crunch point in the customer relationship:

Outgoing contact

Fig 7: Customers’ welcome calls

Did you feel the Welcome To Broadband call was useful?

<table>
<thead>
<tr>
<th>Month</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-04</td>
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<td>Jul-04</td>
<td>29</td>
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</tr>
<tr>
<td>Aug-04</td>
<td>29</td>
<td>71</td>
</tr>
<tr>
<td>Sep-04</td>
<td>26</td>
<td>74</td>
</tr>
</tbody>
</table>

Source: BT
• The O2 First loyalty programme, under which O2 contacts customers nearing the end of their contract to advise on the most appropriate tariff and offer loyalty discounts, has now been used with almost 20% of the customer base. Among those contacted, churn at the end of contract has halved and customer satisfaction and ARPU (average revenue per unit) significantly increased.

• Continental Airlines now send goodwill letters with complimentary awards to frequent flyers who have had poor experiences within 48 ours of the event irrespective of whether a complaint has been made. Spend from recipients of the letters has actually increased.

• BT recognised the risk of customers churning when they move home and re-appraise their telecoms provision. A ‘home-movers’ registration service and courtesy call follow up was initiated to ensure customer contact and transition of account. As a result conversion of customers under the scheme has nearly doubled, while satisfaction of retained customers has increased by up to 5%.

• BT has also instituted a Business movers contact programme, again for the purpose of ensuring retention and loyalty at a time when there is a significant risk of churn. This programme involves three separate contacts from BT to the business mover – the handshake, the pre-appointment call, and the welcome to service. While the objective is to smooth the process of moving and to deal with any potential problems, BT is also able to collect information about contact preference which will have future application. For those business customers who have been contacted under this programme, dissatisfaction has decreased by a significant 4.3%.

• BT’s ‘Welcome to…’ courtesy call service has been extended to new broadband customers. The service serves the dual purpose of alerting the customer that service has commenced and troubleshooting for any technical or user issues. The calls have reduced the number of inbound enquiries on these issues, as well as being widely appreciated by customers.

Best practice…
• Identify trigger points, from both internal and external sources, where contact really matters and strike first
• Don’t confuse outbound sales and courtesy calls
• Outbound contact is welcomed where it saves customers the effort… and it can save a lot of other enquiries
• Outbound contact can act as a prompt for upselling or cross-selling, but the initiative should come from the customer.

Your outgoing contact
Does your company ever use proactive contact strategy solely to improve customer satisfaction and experience?

Are you able to identify key moments in the customer experience cycle when your contact will have the greatest impact or be most welcome?

Are you able to measure the impact of outbound calling programmes (on customer satisfaction, retention, loyalty and employee satisfaction)?
Single customer view

The theory…

‘CRM is about mutual benefit, not cuddling the customer at any cost. It’s about the activities required to help front line staff to deliver a service’
(UK Financial Service Provider, Hoggett Bowers research)

It is now widely accepted (in fact by 100% in the above study) that CRM is not an IT solution but a collection of disciplines to manage customer contact across companies. Well-implemented CRM initiatives create a unique opportunity for departments to share the same view and same strategy for retaining key customers. Their silos of customer information can finally be united. Not doing so is a major source of frustration for consumers: if a company claims to have a single view and relationship then it must be able to remember past interactions. Once a company has ensured that it has achieved the basics of the single customer view, it can then move into more sophisticated profiling and predictive strategies.

CRM initiatives can also help other indirect benefits and internal goals, such as improved productivity and satisfaction for staff. These consequently feed into servicing customers better from the frontline.

The reality…

According to BT, a lack of integration between customer facing departments is the biggest cause for failure in both CRM implementations and customer engagement. This is perhaps unsurprising given that, according to QCI, only a third of companies have a board member with clear customer management responsibilities, but this still causes obvious disparities in the customer experience across the company. KPMG found that while 72% of marketing directors use CRM to segment their offer, only 30% of customer service directors do the same. Where such a mismatch is found in the same company, it is the customer who will suffer.

Companies that have been able to deploy CRM across marketing and service departments have recorded unprecedented gains:

• According to the Call Centre Association, members deploying CRM mass customisation software have found that call satisfaction is increased by 40%, and that staff absenteeism falls significantly as a result.

• The Dutch financial services group Spaarbeleg united their customer contact database with product history and sales prediction software in order to generate real time product suggestions for customer calls. Following its introduction the call: sales conversion rates are reported to be 2 : 1 when the technology is used. Copeland County Council receive 60% of residents’ contact through the phone – the problem being that the call could be for any reason to any given department. Setting up a central contact centre and database allowed identification of recurring queries: now 50% of calls are able to be resolved without referral.

• In the US, Sears Roebuck now assess the success of their call centre operations using employee satisfaction and customer loyalty. This is because of a positive correlation: for every 5% increase in employee satisfaction, there is a 1.7% increase in customer loyalty and 3.4% increase in earnings. This illustrates the value of getting buy-in from all departments to a relationship strategy.

‘All customer interaction is now logged and has led to better understanding by the contact centre of what is happening with the customer’s account.’
(CCA survey respondent)

‘For the majority of our clients we have been able to fully integrate the customer experience from post sales right through to the fulfilment of goods, providing a single record of the end to end process.’
(CCA survey respondent)
BT Major Business has pioneered a new approach to improving customer satisfaction and ensuring that the whole business is aware of and is dealing with any potential problems customers might have with their service experience. The objective of this activity is to drive retention and loyalty. It has linked its customer satisfaction tracking surveys (both face to face and telephone interviews) to operations and in this way is able to identify general drivers of dissatisfaction which will be dealt with on a strategic improvement level, and the customer specific issues which are owned by a nominated customer consultant who works with the account teams to build action plans to resolution.

Through this CRM programme, the business is optimising the use of its customer research, ensuring a single view of the customer, aligning its customer databases, and feeding the learnings into a proactive improvement and contact strategy. The results have been dramatic.

Best practice...

- Maximise your assets – ensure that all your customer data is aligned and used
- Monitor contact performance and collect feedback from both customers and staff
- Involve representatives of every customer facing department... and a senior sponsor
- Ensure that all departments are aware of the CRM assets at their disposal and how they can be maximised
- Have measures for success that extend across departments e.g. customer satisfaction rather than call duration targets

Your single view of customers

How many data warehouses/repositories of customer data exist?

Are these sources of customer data ‘joined-up’/able to share data?

Have you been able to develop a useful and meaningful customer segmentation which enables you to understand the needs and desires of customer groups?
Targeted marketing

The theory...

‘A company’s most profitable and loyal customers are not among those who have received most mailing.’

(Harvard Business Review)

Customer contact information, purchasing histories, inbound contact and response to previous communications can be used to determine appropriate new marketing communications. The merging and comparison of these numerous data sources allows more precise segmentation of customers, such as those who purchase as a result of marketing offers as opposed to those who are not incentivised by promotions. The predictive capability allows companies to deliver timely, relevant and personalised communications, which will be favourably received, and accord with where the customer thinks they are in the relationship.

The reality...

Companies are used to reacting to, rather than planning, customer contact. Separate studies suggest that only 50% of companies are able to use CRM systems to target marketing communications to particular groups. According to a Pitney Bowes study, financial services (50%) and telecoms (48%) companies are the most likely to target communications, having in recent years been galvanised by high customer churn rates. Only 43% of retailers are able to segment communications, despite the volume of information they hold. Even the figures for call centre capability, arguably the most basic of CRM processes, are surprisingly low.

Fig 7: Targeting communications

<table>
<thead>
<tr>
<th>Percent of industry capable of…(%)</th>
<th>Banking</th>
<th>Insurance</th>
<th>IT</th>
<th>Retail</th>
<th>Telecoms</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handling enquiry in the call centre</td>
<td>63</td>
<td>65</td>
<td>57</td>
<td>60</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>Creating segmented campaigns</td>
<td>63</td>
<td>57</td>
<td>56</td>
<td>43</td>
<td>48</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Pitney Bowes – Group One Software September 2003
Where, however, targeting of marketing communications has been implemented, companies are deriving more benefit from less communication:

- Since redesigning their database to shift from ‘account processing’ to ‘communicating with customers’, RBS have simultaneously reduced their average mailing size (to 100,000) and increased response rates (to 25%) by two-thirds.

- By differentiating the content of phone contact to high value customers, HBOS found that customer satisfaction and retention levels increased, with 78% of customers likely to recommend the service.

- Boden, the catalogue retailer, invested in CRM analysis software to predict buying behaviour and plan marketing activity against their 1.3 million registered customers. They have increased the number of segments from 20-80 for contact purposes. Customer retention and purchase value has increased as a result, meaning that the project has already met the ROI target for investment.

Source: Lit review & desk research

**Best practice…**

- Coordinate outbound service and marketing communication
- Customise contact frequency and method by segment
- Register individual response rates and adjust communications accordingly
- Consider non-sales focussed contacts as appropriate for different segments in order to enhance customer experience
- Do you have the ability to predict segments’ needs, preferences and desires – how can you leverage this ability?

**Your targeted marketing activity**

Is your marketing activity targeted at specific customer groups/segments?

Are you able to customise frequency and timing of marketing activity to specific customer segments?

Are you able to customise contact method and channel to the most appropriate customer segments?
UGC Cinemas is Europe’s leading cinema operator with over 90 sites across six countries. Their 42 cinemas in the UK and Ireland are managed from a central office in London. Main contact with customers is through a centralised telephone booking service, a small customer service centre, and in the cinemas themselves.

We discussed the customer service issues facing UGC, and their initiatives to resolve them, with Barbara Austin, UGC’s Director of information systems.

UGC operate in an increasingly challenging market. Fixed costs are high, product is highly variable in quality and competition is increasing from both rival cinema chains and in-home entertainment. The only sure way of improving revenues is to win new customers and generate more visits from existing ones.

Leisure services are not renowned for in-depth customer relationships. As a result, repeat business requires a high standard of customer experience and a pro-active approach to customer contact.

‘The time when one could sit back and wait for customers to just arrive at the cinema is long gone.’

Communication cost

Cinemas have previously been noted for improvements to the in-theatre experience rather than their customer service performance. For their own part, UGC had identified three major problems in their customer service strategy:

• The telephone booking call centre had limited capacity, no referral mechanism and poor usability. Customers had difficulty getting through, there was hardly any listings information, and often neither were they able to book their desired seats, nor were they offered alternative venues or times. They also had difficulties with the touch-tone system leading either to a wrong booking or back to an operator.

• UGC’s pioneering Unlimited membership scheme – which necessitated management of customer details, direct debits, written communications and incoming queries – was being operated by the French parent company, with ensuing communication barriers. Errors were increasing the volume of calls to UK customer services, who then could only act as intermediary between customer and database.

• The small-scale customer services department was run separately using an old database and paper records to log mistakes and complaints. Consumers would be referred from the call centre with no transaction history to hand, or else communicate through letters, email and fax without any record of previous communication.

The net effect was business being lost, costs to serve increasing and customer satisfaction being compromised by customer communication.

Building the basics

UGC admit that, principally due to the legacy systems used, a lack of customer information and internal service performance metrics were an obstacle to a full-scale CRM implementation to address these issues.

‘We had a problem in justifying in financial terms the investment in a CRM system due to a lack of hard data. We knew that staff were not coping with the workload and that our customers were dissatisfied but we had no measures.’

The priority was to stop lost bookings through the telephone service. UGC recognised that it had to cater for two very different types of customers with different service needs.

• Loyal customers – ‘those who keep us going when product is thin.’ Want in-depth information about the product but are familiar and confident enough to self-serve when it comes to booking.

• Occasional customers – ‘those who just want efficiency and convenience.’ They need to be helped to find availability and to book for a particular film, venue and time otherwise they will abandon.
As a result, UGC deployed a BT speech recognition phone booking service which unified contact numbers and booking across all its cinemas. This is an automated service with a customer option to switch to agent support. Its other advantages are the abilities to give film information, to link caller ID to previous preferences and to suggest alternative venues and times.

The system went live at UGC’s peak period, with nearly twice the average number of weekly call minutes being registered. Austin notes some initial customer discomfort and teething troubles with the system, which originally led to an increase in abandoned calls and further iterations of the menu structure and recognition technology. But she believes that improving customer service is a mutual process: ‘as our customers are learning, we are learning too.’

The solution has proved effective in both reducing costs to serve and satisfying customers. The number of calls to operators has dropped by over two-thirds; call duration with agents has been reduced, as most of the work has been done by the time customers transfer to them.

In addition, there has been a measurable increase in the volume of calls from the same customers as they make repeat calls: firstly for film information, then to check availability and finally to confirm a booking. This was a major insight for UGC: ‘Previously we were concerned about the calls to transactions ratios, but now realise it is the same people only for different reasons.’

Making more

The success of the implementation, and the customer information gained, has inspired UGC to expand its CRM investment and capabilities.

In order to improve the offering to their Unlimited members and interactions with customer services, UGC have deployed BT’s Contact Central product. This system is operated from the customer service department with a direct link to the Unlimited database, allowing Unlimited customers to book through this system and Customer services to have a history of any problems. The telephone booking service is only one input: Contact Central categorises and tracks contacts across letters, email and the web, and supports semi-automated replies to them.

The integration of multiple channels is seen as key to retaining repeat custom. UGC has found that since the introduction of the automated phone service, internet bookings have also increased. Regular customers are likely to use different channels for different types of contact, but expect to be able to migrate between them with a consistent level of service. ‘You could have information via the web, booking by phone and confirmation via SMS… they are all separate channels that need to work on the same platform.’

The major benefit is in allowing loyal customers to self-serve. The use of the automated phone and web information services about film content has allowed UGC to free up resources for occasional custom. The risk is in extending self-service so far as to lose touch with these customers.

As a result, UGC intend to extend more personalised interaction to Unlimited customers through the phone and the web. An automated phone service which allows Unlimited members to book tickets in advance for both themselves and non-card holders is currently on trial. UGC also intend to personalise web and email contact to pro-actively bring film information, such as release dates or special screenings, to registered customers.

Key learnings…
according to UGC

- Segment customers based on service needs, and encourage rather than mandate self-service
- The same customers will use multiple channels for multiple reasons – you have to integrate them
- Be prepared for consumer reaction and teething problems, and modify accordingly.
TD Waterhouse, part of the TD Bank Financial Group, is the largest execution-only stockbroker in the UK with over 350,000 private investors. It offers trading under its own brand and also as the fulfilment provider for two other leading banks. Day-to-day information requests and trading transactions are predominantly delivered through the website and a phone contact centre based in Leeds. Darren Hepworth, Vice President of Contact Centre, discussed how the contact centre has evolved to meet both customer and company requirements.

The broking industry has been revolutionised by information technology. Private investors have access to news and information from more sources, through more channels, in a greater quantity at a quicker rate. In terms of trading, the development of online broking operations means that there is far more competition and a downward pressure on commissions in the sector.

The twin effect is massive peaks and troughs in trading business, precipitated by stock market fluctuations and news, while price conscious customers use numerous brokers, leading to tight margins on each transaction.

‘During market spikes or new stock issues every man and his dog wants to trade immediately.’

TD Waterhouse, like their peers, have little actual account switching but more customers with multiple accounts that they are able to move trading between. Maximising revenues means being ready willing and able to meet customer requests and keep them actively trading better than your peers. High quality of service is paramount to achieving this.

Better service for less

In the last few years call volumes from TD Waterhouse’s own customers have increased overall, but also become much less predictable in their volume and frequency. Additionally, TD Waterhouse has also increased its business in ‘white label’ broking fulfilment for two leading UK banks. They needed to be able to segregate and manage these customers in conjunction with their own.

As a result, TD Waterhouse faced a dual challenge of increasing productivity while reducing the costs to serve in its contact centre.

The fundamental concern of any solution was that customer service should not be allowed to suffer. In an intermediary business with tight margins and transparent prices, the quality of service is crucial to retaining share of the customers’ business.

‘We did not want to compromise on the customer experience under any circumstances, because that would have inevitably backfired. If we’d put an inferior service in, customers would either have refused to use it or else deserted.’

If anything, TD Waterhouse wanted to improve its service to customers in terms of answering calls, supplying quotes and conducting transactions more effectively. Providing ‘ready access’ to services is the key to customer retention and revenue generation.

TD Waterhouse calculated that in order to meet expected call volumes and service standards it would require over 50 more call centre agents. This implied significant investment, not only in initial recruitment but in specialist training and retention, given that staff turnover is relatively high. Moreover, these additional staff would be a full-time cost but may only be fully employed in peak periods.

The alternative was to try to automate some aspects of customer service without any sacrifice in its quality or customer satisfaction.
Segregating needs

A first step was to identify those generic services that are important to creating an ongoing customer relationship but are not necessarily a direct contribution to revenue. TD Waterhouse knew that 20% of calls placed to agents in the call centre were only to request information, most normally an up-to-date stock price quote. Often information on the same stock was needed by thousands of customers at the same time. Quotes can be an indication of readiness to trade, but are now routinely provided online for nothing: here they were taking up agents’ time that could be used on actual transactions.

TD Waterhouse contracted BT to host an automated service to intercept incoming calls. As well as directing calls to appropriate departments, the service allows customers to access share price information on over 1,500 listed companies via speech recognition software. Following a successful trial, the service was also rolled out with modifications to cover customers under TD Waterhouse’s white label contracts.

The service has been uniformly well received by customers. In terms of the technology itself, Hepworth can recall only one complaint about its implementation, with most feedback being very positive.

‘We took a calculated risk in launching the service with little marketing ... we expected some customer push-back against it, but it never came.’

It has met TD Waterhouse’s needs of boosting call handling capacity at a lower cost:

- The service can handle up to 5,200 calls simultaneously, and is expected to have been used in 1.5m calls by the end of its first year
- Its introduction has not only saved the cost of 50 extra staff, but also allowed 35 to be redeployed to higher value activities
- Measured complaints about call waiting times from customers fell from 8% to 1% after implementation.

The service has had an immediate impact on customer satisfaction. TD Waterhouse measure a number of service attributes with customers. Satisfaction with speed of answer, request handling and first time call resolution, have all increased post-implementation. This is from an already high level of over 80% of customers rating the service as very good / excellent, but is important for TD Waterhouse to remain ahead of its peers.

Following the introduction of the automated service, the conversion rate of calls to transactions also increased from 7% to 10%. TD Waterhouse attribute this to the ability of the system to handle higher call volumes and provide more timely stock price information.

An unanticipated benefit of the service has been that the number of automated stock quotes served has doubled since launch and continues to grow on a daily basis.

This was partly due to a more buoyant trading climate: however, Hepworth doubts that such a dramatic increase in volume scale would have been possible without an automated service.

This indicates that more customers are now using the service for more information. These contacts effectively work as self-qualified sales leads for the call centre agents. Customers are able to request priority transfer to an agent if required. If they do so, agents know that the customer is ready to trade and already have the relevant trading history and details of the stock under scrutiny to hand.
New channels help core ones

TD Waterhouse’s response to the opportunities and threats from new channels has been to improve its core offer via the phone. This remains its most important contact channel, and arguably one where service can be most differentiated. It is difficult to provide distinctive service in interactive channels but easy to attract competitors. Also, TD Waterhouse’s own research has indicated that a high proportion of customers, and particularly the most active and profitable ones, continue to use multiple contact channels.

As a result, the deployment of new channels has been as much to improve the experience of existing channels and service standards.

Customer administration enquiries (change of details etc.) and questions are now submitted via the website. This allows customers to search FAQs and other resources to find answers immediately or else receive a reply via email. This is a suitable channel for enquiries that tend to be less time critical than share information or trading requests.

The contact centre allows customer information relayed via the web to be used by an outbound customer contact team. They are able to place calls to registered customers to explain in features and benefits of products in more detail if it easier ‘to talk them through a service’. This can be an important contact if the customer was about to discontinue trading due to issues with the technical aspects.

The successful semi-automation of the phone service, and corresponding increase in use, has given TD Waterhouse the confidence to prioritise web-based information and trading with less fear of losing customer intimacy. The web will extend the reach of the organisation to new customers and allow the existing ones who want it access to historic or comparative information.

The web is being deployed as a more in-depth, elaborated experience than that which a phone service can provide.

TD Waterhouse have also launched a Mobilebroker service for users of web-enabled mobile phones. The combination of audio and visual should allow easier analysis of information coupled with the security and service of a live agent for transaction. Again, this should boost the efficiency and perceived value of any eventual live agent call for customers.

Key learnings...

according to TD Waterhouse

- Customers understand and embrace new technology if it has a positive impact on their experience
- Success is more likely if customers are told the benefits of a change in service but are aware they have a choice not to change
- If a new channel works well, market it to customers: creating ‘ease of access’ can be a major differentiator from competitors.
In the public sector consumer retention and loyalty are irrelevancies – citizens are a captive audience and do not have a range of competitors to whom they can switch if dissatisfied. However, this does not mean that the underlying principles which drive retention and loyalty within the private sector are not crucial to a positive and rewarding citizen experience. Citizens are customers of governments and councils and by voting and paying taxes they earn their right to be treated as such. CRM has a vital role to play within the public sector, by driving citizen satisfaction, by ensuring cost efficiency and by motivating and empowering public sector employees.

Floundering Systems

Before 2002, Liverpool City Council used to rank at the bottom of most service-related league tables and was severely hampered by the inefficiency and high costs of its operating systems.

- Citizens were receiving summons for non-payment of council tax while waiting to receive benefit payments. At its worst, there was a backlog of 40,000 queries waiting to be answered.
- Customer contact centres were only managing to answer 4% of calls relating to educational grants, school meals, and transport costs, especially in the ‘blackspot’ at the end of the summer before the new school year begins.
- The payroll system was cumbersome and expensive, with operational and functionality problems. There was a risk that some departments might seek other sources for payroll administration, which would both increase the cost per employee of the central system and lead to a reduction in staff following the likely devolution of certain council responsibilities to other agencies.
- Poor ICT infrastructure had created a paper warren occupying several floors of office space which were infested with paper fleas. It was an unpleasant working environment and finding a file could take council officers more than ten minutes.

The result: poorly motivated council employees, an extremely inefficient system and dissatisfied, ‘disloyal’ citizens.

Streamlined Systems and an improved citizen experience

Liverpool Direct Ltd, a BT/Liverpool City Council joint venture was formed in 2002. It is a ten year, £300 million project, in which BT has so far invested £50 million. Workers from both organisations (BT and LCC) are seconded rather than outsourced, and so remain Council employees with the same pay and conditions as before. A total of 750 people have been seconded to Liverpool Direct from the Council and BT.

The organisation is responsible for four broad portfolios of services:-

- **ICT infrastructure:** Existing departmental IT and communications teams (more than 500 databases) were brought together in a single, central service delivery portfolio to streamline operations and to enable all Council managers and employees to have a single view of the citizen. High standards were defined for hardware to ensure that all new PCs and peripherals met performance criteria. Software standards were also defined to introduce compatibility between all departments and to facilitate the sharing of information. A city-wide intranet has been developed to facilitate this knowledge sharing and to enable successful CRM programmes and efficiency programmes for the ‘Revenues and Benefits’ and the HR portfolios.

- **An improvement in multi-channel management:**
  - **Human Resources and Payroll:** LCC used Oracle software to move away from the old paper-based system. The human resources intranet handles 2,500 hits a day and facilitated a staff reduction from 206 to 120, because they were no longer needed to make phone calls. This automation and streamlining freed up staff to boost the customer contact centres:
  - **Customer contact centres:** The main contact centre increased from an 80-seat operation, open during office hours, to a 24/7 operation with 225 seats. It now handles 160,000 calls a month instead of the 40,000 it handled previously.
  - **Revenues and Benefits:** the business process was re-engineered, with the introduction of a Document Management System (DMS) and the rationalisation of the number of databases and servers.
First Class Systems and outstanding results

• **Customer Contact Centres:** A new call centre, initially focussing on debt collection, has brought in £1 million in overdue rent – £500,000 of this within the first eight weeks. 90% of enquiries are resolved at the first point of contact, with abandoned call levels down from 25% to 12%. 90% of education-related calls now answered (previously only 4%).

• **Revenues and Benefits:** The council has just achieved its highest ever collection for business rates: 98.9%. Benefits compliance with national performance standards is at 94%, up from just 54% two years ago. The number of customers paying council tax by direct debit has risen from 30% to 40%. The backlog has been reduced to 11,500 items of work – well within the guidelines for an authority that can receive more than 10,000 pieces of post in a day.

• **Human Resources and Payroll:** Absenteeism within the council has been cut from 16 days a year to the national average of 11 through better management intelligence. Staff redeployment alone has saved the council upwards of £22 million a year in wages. The streamlining of services is saving at least another £5 million a year.

• **ICT infrastructure:** Public accessibility to information has radically improved. The intranet receives 2,000 hits per day and was the key to realising cost savings from the variety of change programmes. A backlog of 760 faults was eliminated within just two weeks of initiating the streamlined system. The electronic telephone directory saves £60,000 a year in maintenance costs. The time taken to record a citizen’s change of circumstances has been reduced from nine to six days. The proportion of repeat or renewal claims that are processed on time has reached 75% and rising. Today, 85% of technology-related problems are resolved by a helpdesk, which serves all Council departments.

‘The City Council will now help other authorities learn from its experience so that authorities across the country might provide services that meet the standards of the best’.

(Nick Raynsford, Local Government Minister)

• **Awards:**

– **Liverpool Direct CRM won** the National Business Award in 2002 for the Best Use of Technology – its application to Human Resources is said to be a ‘first’ and a model for local government.

– **Liverpool was recently awarded** Beacon Status for Social Inclusion through Information and Communications Technology by the Office of the Deputy Prime Minister for its pavement pods and One Stop Shops for the use of residents to facilitate training and easier contact with the Council.

– **Liverpool City Council has been highly commended** at the Local Government Chronicle awards in three categories: E-technology, Personnel Team of the Year, and Management Team of the Year.

– **It is now ranked as a ‘good council’** by the Audit Commission in its Comprehensive Performance Assessment.
Conclusion

Liverpool City Council was able to make considerable savings while at the same time releasing cash to improve services for millions of residents. The citizen experience has been transformed and Liverpool Direct Ltd has delivered top quartile performance across key services. According to the Audit Commission, 70% of the council’s performance indicators have moved from rock bottom to the upper quartile in just 12 months. Through saved costs, the council has been able to reduce taxes by 3% – the only council to achieve this in 2002.

The future?

The next improvement will be a VoIP network to link the council’s 35 corporate sites. Soon to be completed, this will be cheaper to run and easier to manage, as it will replace the existing private circuits and fibre optic networks with a single network for both voice and data.

eBilling is also being piloted for council tax, which should substantially reduce printing and mailing costs in the longer term.

The new system is also web-enabled, with an ultimate view to self-service, enabling citizens to view and check their accounts online.

Key learnings…
according to Liverpool County Council

- Recognise the citizen’s preferred contact point, automate and facilitate self service where possible and allocate your ICT/CRM budget accordingly
- Streamline your databases to ensure a single unified view of the citizen for all employees
- Ensure software and hardware is compatible to maximise knowledge sharing capabilities between departments.
Appendix 1: Healthcheck Questionnaire

For each question, please score yourself either 0, 1 or 2; where 0 would represent no/rarely/in a very few cases; 1 would represent partially or sometimes; and 2 represents mostly and often

Your multichannel management

☐ 1). Do your customers have the choice of their preferred channel?

☐ 2). Are you able to share customer data seamlessly across these channels and keep a record of all customer interactions, no matter the channel?

☐ 3). Are you able to automate customer contact where appropriate or desired, retaining the option to speak to a live agent when desired?

☐ 4). Does such automation activity free up agents for necessary and desired live contact?

Your outgoing contact

☐ 5). Does your company ever use proactive contact strategy solely to improve customer satisfaction and experience?

☐ 6). Are you able to identify key moments in the customer experience cycle when your contact will have the greatest impact or be most welcome?

☐ 7). Are you able to measure the impact of outbound calling programmes (on customer satisfaction, retention, loyalty and employee satisfaction)?

Your single view of customers

☐ 8). How many data warehouses/repositories of customer data exist?

(here score yourself 0 for 5+, 1 for 2-5, 2 for 1)

☐ 9). Are these sources of customer data ‘joined-up’/able to share data?

☐ 10). Have you been able to develop a useful and meaningful customer segmentation which enables you to understand the needs and desires of customer groups?

Your targeted marketing activity

☐ 11). Is your marketing activity targeted at specific customer groups/segments?

☐ 12). Are you able to customise frequency and timing of marketing activity to specific customer segments?

☐ 13). Are you able to customise contact method and channel to the most appropriate customer segments?

Your general approach

☐ 14). Has every department (operations, marketing, sales, finance, HR, IT) been involved in your CRM rollout and ongoing usage?

☐ 15). Do you consider that you are using your CRM investment to its maximum potential?

☐ 16). Are you able to benchmark your approach in this area against your competitors or other organisations?

☐ 17). Are your employees empowered and motivated to use CRM tools to best effect?

☐ 18). Do you feel that your CRM investment has helped you achieve/improve ‘customer intimacy’ (ability to predict customers’ needs, desires, propensities; improvement in customer experience and satisfaction; increase in retention and lifetime value of customers)?
Scores

0-18:
Even if you have invested in CRM, it is not working to your advantage and you are wasting money. It is likely that you are failing to meet your customers’ expectations of service and experience in general and that your competitors are outperforming you in terms of personalisation, service and contact. You are at risk of churn. Take action now.

BT can start from basics and establish the best CRM approach for you supported by processes, systems and the right culture. This will ensure that you begin to see tangible returns on your investment.

19-30:
You are not maximising your CRM investment and you could be sweating this asset more intensely. Make sure that all departments are aware of the opportunities that well run CRM systems present and consider how you can improve the customer experience. Remember that CRM is not only about cost cutting, you should be developing targeted and proactive contact strategies.

BT can help you by advising on how systems and processes can better streamline your customer operations and improve the customer experience. Through this you will improve customer satisfaction and reduce the risk of switching.

31+:
As an experienced and successful implementer of CRM you should be considering advanced CRM strategy. Could you be developing predictive profiles of your segments, and could you be deploying automation in more innovative and cost effective ways? In order to achieve the ultimate customer accolade, advocacy, you need to ensure that every element of the customer experience is spot-on and CRM can help you to achieve this.

BT can help you optimise your assets and recommend cost models and advanced tools so that you can become more sophisticated in your CRM deployment.