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Service Innovation - Key to sustaining customer loyalty



Produced in association with
HBC & AP Contact centre Association Leaders

Abstract

Contact centres are one of the most powerful channels to meet ever-changing customer demands. Organisational success hinges on the ability to deliver the right experience to keep customers satisfied, loyal and profitable to the company. One approach gaining momentum is having a customer relationship management (CRM) strategy clearly articulated and deployed through your contact centre to sustain the loyalty of your most important customers. Increasingly, best practice companies are re-thinking their approach to customer engagement by embracing the proven success of CRM, which deploys a range of sophisticated processes and tools to effectively shape the customer experience. This paper explores the key considerations when taking advantage of the evolving approaches.

INTRODUCTION

A customer base only becomes an asset when it has a degree of loyalty, and the only way to do that is to acquire customers who value your proposition; welcome them (a key point in a relationship); get to know them and develop all around value (enterprise to customer, customer to enterprise); manage problems (another key relationship point); understand when they might defect and stop it; or win them back if they do. Loyalty and value are achieved by delivering through a strategy supported by the right enterprise-wide capabilities and processes.

In the book, *Service Magic: The Art of Amazing Your Customers*¹, authors Ron Zemke and Chip R. Bell argue that “the creation of memorable, positive customer service – service so good, so unique, so different, that it takes the customer by surprise and leaves him with a smile on his face and a story to tell – is often strikingly parallel in structure and outcome to fine stage magic. Just as the skilled stage magician is a master of audience enchantment, the service magician brings a touch of charm and delight to his or her customer's day, life, and world ... even if just for a moment.”

Service magic is an art and depends on developing customer rapport, excellent timing, and many hours of practice. Among Best in Class companies, that service magic is much like an orchestra that produces a beautiful symphony when all its components are attuned to but one task at hand – the delivery of excellent customer service.

Indeed in business, as it is in magic, customers come back not because of the products they buy but of the experience they get.

Indeed the idea that relationships are important in business is nothing new. The operator/owner of the corner store merchandiser in a small town will attest to the importance of having intimate details about the customer at the point of engagement as an important factoid in the survival of the business amidst the presence of large retail chain just around the corner. Large companies are beginning to wake up to this revelation. For them the challenge is orchestration thousands of individuals that make up the enterprise to move in one direction – with one objective.

The customer has rapidly become the centre of the universe for many organisations regardless of size, industry or geography. Companies are frantically trying to find the optimum experience and interactions that customers have with their products and services at every touch point throughout the marketing-sales-service cycle. The challenge for many companies is not only how to capture these data points but making them accessible to the appropriate agents at the point of interaction in order to achieve maximum return.

Market consultant Aberdeen hypothesises that the ability for organisations to synchronise workflows, processes, data and knowledge across disparate and distinct functions such as service, sales and marketing is a critical factor that distinguishes the best companies around customer management².

1. *Service Magic: The Art of Amazing Your Customers*, Ron Zemke and Chip R. Bell, 2003

2. *Customer Management 2011: Extending CRM-based collaboration across the enterprise*, Aberdeen Group, 2010

"As it is in magic, customers come back not because of the products they buy but of the experience they get"

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According to Aberdeen, firms enjoying Best-in-Class performance are 48 per cent more likely than all others to leverage customer management applications with contact centre functionality, and nearly two times more likely to provide their agents with access to customer history and a searchable knowledgebase³.

One approach that is gaining rapid acceptance as a formal and more structured method to better customer engagement processes is customer relationship management or CRM and involves using technology to organise, automate, and synchronise business processes including sales activities, as well as those for marketing, customer service, and technical support.

However history tells us that not everything is about technology. In fact prior to CRM, most relationships have traditionally been treated as part of the 'soft stuff' of business and managing them has been largely a matter of intuition and relying on individual efforts. Different people have different ideas about how to manage relationships and factors such as culture and upbringing often play a part. It is important to have a common vocabulary within a company. Very often, companies lack the people, processes and technologies to allow a systematic approach towards managing relationships. In taking advantage of these evolving approaches, companies should consider the following.

CREATE A CRM STRATEGY

Companies should develop an overall customer strategy that determines who they will serve and the type of customer experience that aligns with the customer's point of view and will support the company's brand and its overall business strategy. The contact centre should align with the strategy. This includes creating empowered customer relationship specialists, rather than contact centre agents, to interact with customers. These specialists are highly trained in CRM and human relations skills. They are usually multilingual and have multitasking skills. Processes that are proactive and focused on customers' needs should also be created, including technology that enables marketing and service communications. By doing so, a truly customer-focused experience will be produced.

The strategy should focus on interactions that create value for customer and company alike. A key element in CRM is the value creation process; ensuring that an appropriate balance is achieved between the effort that is put into creating value for the customer and the value from the customer. When done right, those can be one and the same thing. For example, companies that use predictive behavioural modelling to make individualised up-sell offers typically find that the practice actually increases



"An appropriate balance should be achieved between the effort that is put into creating value for the customer and the value from the customer"

3.The Contact Centre in a Profit-Centric Service Organization, Aberdeen Group, Sumari Dutta and Aly Pinder, Jr., May 2010

customers' satisfaction. This is because the customer perceives the focused offer as being valuable to him or her. In essence, selling is viewed as a kind of service. Companies should also understand the lifetime value of their VIP customers and treat them accordingly.

Airline carriers execute this type of strategy very well, with the contact centre responsible for both inbound and outbound services and cross selling. A good example of this is Cathay Pacific who use their frequent flyer (The Marco Polo Club) programme and Asia Miles database to provide a customer centric proposition which on an efficient basis extends the traditional servicing component to areas such as managing redemption bookings, marketing calls and cross sell opportunities which is enabled by having on hand detailed information on a specific customer. Each call is followed by a text message asking customers to rate the quality of the service call, ensuring a warm and personal experience for the customer.

EMPOWER A WELL TRAINED TEAM WITH NEW MEASURES

Companies can establish incentives and compensation that encourage the creation of customer value, rather than just efficiency and low costs. One way of achieving this is to revamp how service centres' are being measured. The traditional key performance indicators (KPIs) are updated. The winning companies are implementing leading indicators such as Net Promoter score (NPS). To what extent would your customers promote your brand to their friends? Another measure which is of critical importance is First Call Resolution (FCR), how many of your customer's calls is being resolved with the first call. The third important measure is Revenue per call; every call is an opportunity to improve profitability.



Source: Net Promoter Score methodology (NPS) created by Fred Reichheld, Satmetrix and Bain & Company.

HK Brandband's CEO, Mr. William Yeung said: "We engage our VIP customers in a VIP (value-added, instant and personalised) way. We offer them with free trails of all of our services. Our service centre staffs are customer engagement officers whose compensation is linked with the revenue growth and customer satisfaction ratings."

With an integrated, centralised view of the workforce, companies are better able to draw on a seamless pool of skills and strengths to match the right work with the right talent and better meet customers' needs. In addition, studies have shown that if the workforce is well-trained and multi-skilled, there is less attrition, increased productivity and greater customer loyalty. CRM, in effect, begins with the employees.

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BALANCE BETWEEN EFFICIENCY AND CUSTOMER SATISFACTION

Low costs and high service levels have traditionally been conflicting goals, but today's systems let companies have both. Web, customer analytics, e-mail, IVR systems, speech recognition and other advanced technologies can be used to let customers serve themselves through the channel of their choice.



Automated systems can also work in concert with frontline employees. Voice systems, for example, can be used to enable service specialists to navigate quickly through screens using spoken commands. Such technologies are driving a front office revolution, leveraging

innovative combinations of machines and people to re-engineer interaction with customers and deliver savings and new revenue.

One such example is the innovative way that banks in Asia Pacific structure their customer service hotlines, which combine web, e-mail, IVR systems, speech recognition and other advanced technologies. Queries from customers via these various channels are sent to the teams of service specialists, who then pull up the required information instantaneously through the use of voice-activated commands. This reduces the time required to respond and attend to any request from customers, offline or online, and lowers the cost to serve, which also enhances the overall customer experience.

MAKE IT CLOSE AND PERSONAL

Best practice companies use analytic technologies to create a centralised 'single view of the customer' and use that to tailor interactions to individual customers in real time. For example, 'predictive up-selling' draws on customer data to target additional products and services to specific customers. When a customer calls the company, systems quickly identify the caller and analyse information about the customer and the company's current offerings. The software then gauges that customer's likelihood of buying, determines what best fits his or her situation and routes that recommendation to the service centre officer within moments. In essence, the company is treating each customer as a market of one.

For example, one contact centre uses analytic technologies to predict buying behaviours and service problems. By proactively approaching them, they were able to reduce the number of calls to the centre through call avoidance, particularly at peak times of the day, and thus increase customer satisfaction and reduce costs. Building the emotional connection with your VIPs is the most powerful instrument to turn customer into an advocate, hence acquiring new customers through referral.

A good example is Dunhill Home VIP hotline, which is offered to their top VIPs in China. Through differentiated customer service, personalized 1 to 1 communications and exclusive privileges, Dunhill is able to establish a closer connection with their customers while assuring time and cost is efficiently spent on their most valuable customers.

“Building the emotional connection with your VIPs is the most powerful instrument to turn customer into an advocate”

ENABLE PROACTIVE CUSTOMER INTERACTIONS

Customers like to feel that a company is working with their benefit in mind. A clear way to demonstrate that is to move beyond simply waiting for customers to raise service or product issues. The effective combination of analytics, workflow systems and integrated information from front- and back-office systems can enable companies to reach out with a solution before the customer contacts the company. For example, if a system detects a shipping delay on an order, it could flag the issue for service centre officer, e-mail the customer about the problem or even send a gift to appreciate their understanding.

A good example of this is Ritz Carlton, whereby they have a reputation for collecting customer preferences via staff observation which is utilized to ensure that subsequent stays are enhanced. Ensuring that this insight is captured and shared with the wider business is not an easy task, yet this challenge can be overcome by having the right mindset and competence of its customer service officers. Proactive service can help turn what would have traditionally been a routine transaction into a "wow" customer experience.

MEASURE AND MONITOR FOR BREAKTHROUGH RESULTS

Companies can create feedback loops to keep interactions in synchronisation with the customer. In contact centres, for example, systems can track near real-time customer-satisfaction information, allowing individual officers to quickly adjust their approach to customers. Companies can also turn contact centres into 'customer listening posts', which drive the voice of the customer into the company. A fast food chain in China uses its contact centre to conduct a dynamic service survey right after the 'moment of truth'. Not only does it have a 95 per cent response rate, the feedback goes directly to its product development centre for fast track improvement.

By combining customer data with relevant information on other parts of the company, companies might find that repeated customer issues can be traced to specific upstream processes. For example, when a major retailer saw an increase in customer complaints surrounding shipments, it correlated data from its contact centre interactions with fulfilment data. The analysis showed that out of six warehouse vendors being used, a single company that handled just three per cent of the retailer's shipments was causing 27 per cent of the shipping complaints.



Companies need to keep a finger on the pulse of what is going on in view of how customers experience their services. Processes need to be transformed. For example, one property Management Company's contact centre embarked on a transformation journey to drastically reduce the number of calls to the centre through call avoidance. They did this by turning their service representatives into relationship executives. As a result, turnover of customers was down and satisfaction moved up by 30 per cent.

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CONCLUSION

Effective management of the customer experience involves not only technology but also the people and processes that use that technology. Often, it also involves significant change that can reach across much of the company. Executives need to be prepared not only to formulate the CRM strategy, but also to support the execution of that strategy and drive the changes it requires.

With the increasing importance of relationship management, and the ever-growing challenge of meeting expectations of the customer, the ability to manage the customer's experience is critical. With a clear strategy and a solid grasp of the basic rules of customer management, companies can be in a position to ensure that they are shaping interactions that drive loyalty and profitability and making the right investments in that most vital of business assets – the customer.

Opportunity is now here to leverage best practice contact centres for creating a 'wow' experience for the customer. Today, contact centres are often the single and most important channel between customers and companies after the point of sale. They are handling everything from queries to telemarketing. This marks a fundamental shift in the way that contact centres are conceptualised, providing a much needed human touch point, improved access for the customer, and that highly sought after VIP experience.

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ICLP is the world's leading specialist loyalty marketing agency with over 20 years of experience creating and managing profitable relationships and driving incremental revenue. By leveraging global experience across a wide variety of industries, ICLP has pioneered ways of differentiating brands and adding value to customers. This is achieved by understanding what characterises profitable behaviours and best customers, to design and deliver integrated marketing initiatives that actively influences their behaviour to deliver incremental revenue and maximise customer lifetime value.

Part of the Collinson Group, ICLP employs some of the world's leading loyalty marketing, data insight and creative experts. With offices in 15 key locations around the globe, ICLP offers a full range of loyalty services, from strategy and creativity to insight and global delivery.

ICLP currently has offices in Beijing, Dallas, Dubai, Hong Kong, Kuala Lumpur, London, Madrid, St.Petersburg, Mumbai, San Francisco, São Paulo, Shanghai, Beijing, Singapore, Sydney, Tokyo, and Zurich. Its list of clients includes airlines and airline networks; automotive brands; financial services companies; hotels; technology companies; luxury brands and retailers.

For more information please visit www.iclployalty.com

This report was produced in association with: Sidney Yuen, Chairman of HBC & Asia Pacific Contact Centre Association Leaders



Mr. Sidney Yuen is Chairman of HBC & Asia Pacific Contact Centre Association Leaders (APCCAL). He works with companies to transform their customer experience.

As an expert in techniques to better listen to customer wants and needs, he helps improve the systems and structures to interpret, respond and adapt – the keys of being customer-centric. He has served as Head of Consulting of major management consultancies such as Andersen Business Consulting and Convergys Corporation, as well as having been the Director of Customer service at American Express and Training manager at Swire Group.

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