

## NEW PERSPECTIVES ON:

# The customer experience

### Planning the Customer Experience Journey: Four Dimensions of Relationship Management

**Strategy.** Create a blueprint for a balanced approach encompassing customer and employee needs; use workforce and customer intelligence to define customer experience and workforce plans; identify the right mix of technology, people, and processes to cost-effectively meet expectations.

**Analytics and continuous improvement.** Develop an outside-in view of what customer segments want; analyze feedback and behavior to understand how customers perceive experiences; funnel intelligence into relationship-management processes to drive improvements and meet changing expectations.

**Operational excellence.** Support knowledgeable frontline employees through learning and talent management that enables excellent service and employee engagement; transform global HR with a blend of channels.

**Technology enablement.** Focus on the optimal blend of automation and human activities; deploy proactive, knowledgeable, and personalized service consistently across agent and automation touch points.

Recent research shows a disconnect between companies and their customers—and points the way to possible solutions.

The business world's emphasis on managing the customer experience has quickly evolved from a tactical sales and service challenge to a C-level topic with strategic implications—for two good reasons.

First, greater customer choice and control are making more sophisticated management of customer relationships a competitive necessity. And second, global competition, increasing product commoditization, and ever-shorter cycles of innovation make product and cost-based advantages more difficult to achieve—and harder to sustain. Today the key to differentiating a company is, increasingly, the customer experience.

"In just about every sector, there are too many world-class competitors with world-class brands who are competing for ever-scarcer customer attention," Jeffrey Rayport, author and chairman of the MarketSpace consulting firm, said during a Convergys webinar. "We've entered a world in which it is not only an issue of competing on *what* you sell, but on *how* you sell."

That reality is hitting home. In a recent Forrester Research survey, 64% of respondents said that customer experience is a vital part of their strategy for the

current year, compared to 38% for the previous year. Accordingly, Forrester reports, 45% said that their companies have an executive in charge of improving the customer experience across channels and products—up from 27% last year.

But companies are not always seeing results from such changes. In its 2008 Customer Experience Scorecard Study, Convergys found that nearly half of surveyed customers have had bad experiences with a company. "Effectively managing the customer experience is not always easy, especially with constantly rising expectations," says David Dougherty, president and CEO of Convergys. On top of that, he adds, companies often rely on traditional strategies and metrics to manage relationships that focus on costs, for example, rather than customer experience.

"Customer experience and relationship management still aren't core competencies for most companies, and executives often aren't sure where to begin to attack the problem," Dougherty explains. To change that, companies need to understand what customers expect—from an outside-in perspective. And they need to use that insight to rethink customer-facing processes and deliver the experience

*relationship management*

that customers want—or run the risk of increased customer defections and a weakened ability to compete.

### The State of Customer Experience

The Convergys 2008 Customer Experience Scorecard and the Convergys 2008 Executive Scorecard were both designed to provide outside-in views of the ways in which customers interact with companies—and they found some significant disconnects between internal and external perspectives.

For example, more than 8 out of 10 executives said their companies have a solid understanding of their customers' experience. But customers disagree: 47% say that companies do not understand their experience and cite problems such as rude employees, inaccurate information, and lack of issue resolution. What's more, many believe that companies simply don't care, with 41% saying that companies do not listen to or act on customer feedback. More than half the respondents say that

they don't bother complaining because they believe companies will take no action.

That doesn't mean customers are doing nothing. On average, more than half will defect based on bad experiences. And the problem doesn't end there. Nearly 9 out of 10 customers will tell their friends and colleagues about bad experiences, creating a negative ripple effect in the customer base.

Companies are often blind to the full extent of these issues. In general, executives surveyed for the Executive Scorecard think that only 20% of customers share the "bad news" about their experiences—a significant mismatch with the customer view. And, notes Dougherty, "there is a good deal of silent attrition going on. Among those customers who don't report problems, about 40% will simply stop doing business with the company—and the company won't really know why."

This silent attrition can be especially significant in certain industries, such as

financial services. For example, 43% of bank customers who have a bad experience will not complain—and 77% percent of those will stop doing business with that bank. For a bank with 2 million customers, that could translate to a revenue loss of nearly \$20 million per year—not to mention the high cost of acquiring new customers to replace those who have left.

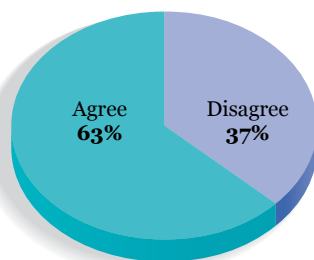
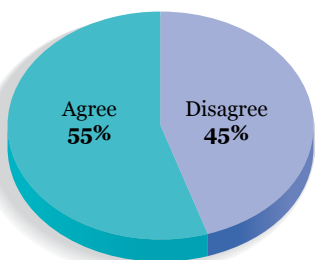
### Scoring the Customer Experience

To help understand customer expectations, Convergys researchers asked customers to list the factors that mattered most to them. At the top were "knowledgeable employees," "addresses my needs on first contact," and "demonstrates a desire to meet my needs." On the other hand, personalization—the focus of so many customer-experience initiatives—ranked at the bottom. While "personalization is still important, people appear more focused on getting quick, reliable help—which shows that many companies still struggle with the basics," says Andrea Ayers, president of Customer Management at Convergys.

#### ARE COMPANIES CONNECTED?

Companies generally have a good understanding of what customers really experience in dealing with them.

Companies generally listen to/act on customer feedback.

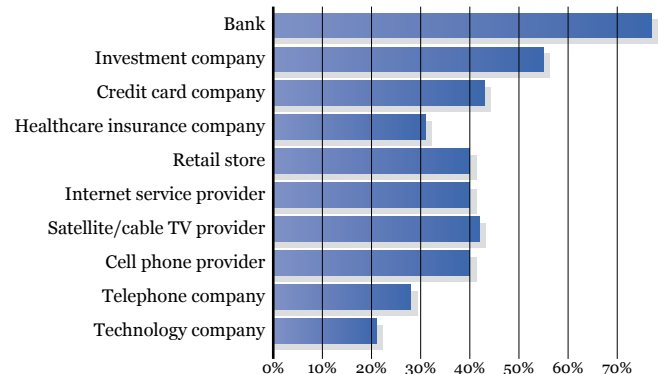


Source: Convergys 2008 U.S. Customer Scorecard

**Companies Aren't Delivering:** Nearly half of respondents say they don't believe companies understand their experiences; more than a third believe companies do not act on their feedback.

#### THE SILENT DEFECTORS

Percentage of customers who have bad experiences with a company, do not report them and stop doing business with the company, by industry.



Source: Convergys 2008 U.S. Customer Scorecard

**Attrition: Silent and Serious:** Some 40% of customers who have had bad experiences and did not report them stop doing business with a company. This percentage is higher among financial services firms.

The research also looked at what customers want in terms of channels. Most still prefer live agents, but self-service options are gaining in popularity, with 25% of consumers preferring to use the Internet to contact a company, up from 18% in a 2004 Convergys study. Not surprisingly, younger consumers are more likely to prefer automated, self-service channels.

These findings underscore the importance of rapid, accurate service. More than two-thirds of respondents feel that using an automated system that resolves their issue the first time is preferable to speaking with a rep who solves the problem but not during the first contact.

### Delivering the Right Experience

To provide the right experience to customers, companies need to take a systematic approach to developing a customer experience strategy, designing processes to support that strategy, and determining how best to deliver service in the channel preferred by each segment.

Among those customers who don't report problems or complain, about 40% will stop doing business with the company—and the company won't really know why.

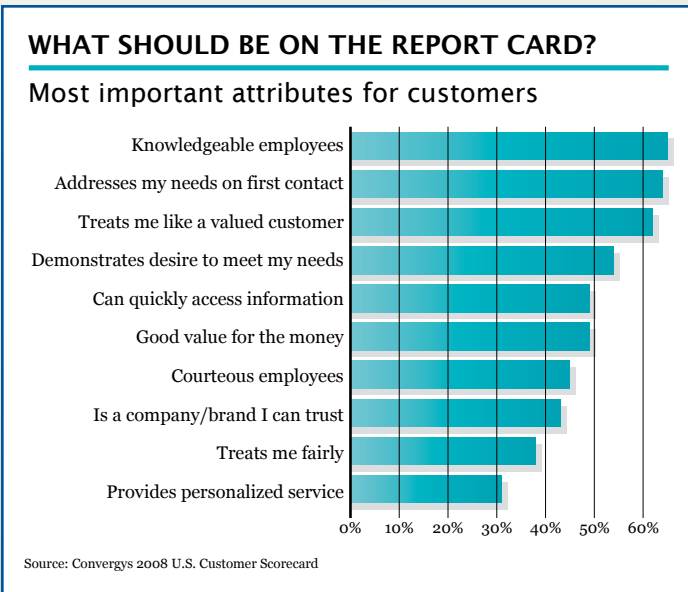
The Convergys study indicates a clear starting point in that mix: enabling knowledgeable frontline employees who can resolve issues quickly. That requires training, but it also requires recruiting, equipping, and incentivizing with the customer experience in mind. It means establishing systems and processes that deliver relevant information to employees as they work with customers. And it means using speech, IVR, and other technologies to automate routine processes and free up employees for more complex tasks.

Companies can also support front-line employees by creating effective customer interfaces that combine the strengths of automation and live agents. Some companies are now using an analytics-

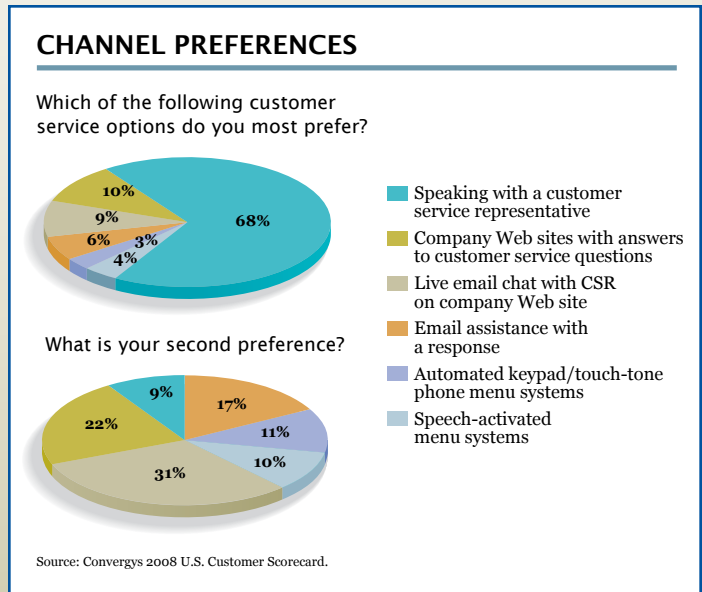
based system that essentially helps agents be more knowledgeable as they work with customers. This knowledgebase identifies customers calling in to a center and quickly assesses their history, behavior and current situation. It then creates a recommendation for serving or selling to that customer in order to enhance his or her lifetime value to the company. This recommendation is instantly routed to the agent taking the call—helping to provide the responsiveness that is key to a good customer experience.

### The Coming Customer-Experience "Tsunami"

As many observers have noted, younger consumers are more technology oriented



**What Customers Want:** Respondents said that it was more important that employees be knowledgeable, courteous, and able to access information than that they provide “personalized service.”



**Channel Preferences:** While customers say they still prefer human interaction (and nearly three-quarters say they're more likely to use the phone than the Internet), other options are gaining traction.

# CASE STUDY

## Strengthening the Front Line—and the Customer Experience

Operating in a fast-moving industry, a major technology company found it difficult to keep agents up to date on constantly changing products. Executives worried about the quality of the customer experience.

Working with Convergys, the company implemented a learning model that addressed the entire agent performance lifecycle. The new approach was based on e-learning tools that deliver content to individual agents based on specific skill gaps and that track and report on progress and performance. The effort included the revision of learning content based on

program feedback, redesigned processes for the rapid dissemination of new content, and performance-focused coaching to augment the new tools and processes.

In just four months, overall customer satisfaction scores rose from 66% to 79%, average handle time dropped from an hour to 42 minutes, and first-contact resolution improved from 63% to 79%. The number of problem escalations per month dropped to zero, and the customer experience has been greatly enhanced, as has the employee experience, with agent satisfaction scores rising from 73% to 85%.

expand their view of channels beyond the call center and the Web to include mobile applications, social networks, virtual worlds such as Second Life, and, no doubt, channels that have yet to be created.

At the same time, companies need to find ways to use automated channels—which are so key to these younger consumers—to provide more sophisticated levels of service. To do so, they can draw on technologies such as speech recognition and real-time analytics that let companies “understand” behavior and tailor interactions accordingly. “For example, you are likely to see the use of avatars—‘virtual people’ that act and sound human and have the potential to be the electronic equivalent of the knowledgeable employee,” says Betzer.

As these trends unfold, companies will have to keep monitoring changing customer expectations. “An excellent customer experience is not a fixed thing—your customer is always changing,” says Dougherty. “Evolving with your customer over time is critical to strong relationships. The ability to manage the customer experience across channels and segments now plays a large role in a company’s success, and it’s clear that this role is only going to be larger tomorrow.”

than their predecessors, and the Convergys study found that they are less patient when companies are not able to consistently deliver excellent experiences in the channels of their choice. Younger consumers are also significantly more inclined to tell associates about a negative experience—and they are highly adept at using everything from text messages to Facebook to do so.

Altogether, the arrival of these younger customers is likely to raise the stakes considerably for companies trying to build solid relationships. “The generational shift represents a potential ‘tsunami’ of new

consumers with very high expectations,” says Mike Betzer, president of Convergys Relationship Technology Management. “Companies should be thinking about the changes they need to make to reach Gen Y and younger consumers. Otherwise, they will find that these customers will be leaving in large numbers—and they will probably do so quickly and quietly, making silent attrition a bigger challenge than it is today.”

To prepare for this change, companies need to improve their ability to manage customer experience across a wider variety of channels. And they will need to

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