



Maximizing Customer Retention: A Blueprint for Successful Contact Centers

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Microsoft Dynamics™ CRM

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Executive Summary

In an era of intense competition, the customer experience is often the main differentiator between commoditized products and services. Once a sale is complete, the contact center is an enterprise's primary touch point with its customers, whether they are consumers or other businesses. When a company knows what their customers want and responds with a consistently excellent customer experience, they create loyal and profitable relationships.

The best loyalty programs proactively analyze customer behavior in order to identify and address at-risk customers before they defect. However, when the loyalty program is not successful, it is usually up to the contact center to "save" the customer. Effective customer retention programs are enabled by customer relationship management (CRM) and analytics solutions. Formal and informal contact centers need these underlying systems in order to serve as the last line of defense for businesses of all sizes – small, mid-market and enterprise – that are threatened with losing their customers to competitors.

This white paper is a blueprint for building a successful contact center customer retention program. It provides strategies and tactics for companies of all sizes to employ in developing an effective approach that will yield high financial returns.

Creating Loyal Customers: A Critical Company Goal

A loyal customer base is a critical goal for all businesses. In the last few years, companies have invested billions of dollars on systems, analytics, marketing programs and other initiatives to create an outstanding customer experience, hoping to build customer loyalty. The challenge is that even if an enterprise succeeds in delivering a consistently outstanding service experience across all channels – direct sales, kiosks, ATMs, branches, retail outlets, online and contact centers – there is no guarantee that a customer will remain loyal. And, while great service does not guarantee loyalty, poor service drives customers away.

When customers are satisfied with a company and its products and/or services, they have no reason to look for alternatives. When the status quo is altered, either due to changes in a company's offerings, the competitive environment, or the customer's needs or lifestyle, a customer becomes "at risk" of defecting. Effective loyalty programs anticipate customer behavior by constantly reviewing and analyzing customer activities. If a business cannot proactively retain its customers through the use of analytics and effective marketing programs, the problem falls to the contact center.

Many customers call or email to ask for information or assistance prior to taking the extreme step of defecting. Price is a strong factor in many decisions, but studies have shown that it's just one of many issues that customers consider. *Ultimately, the customer service interaction is the final "moment of truth" that results in either a saved or lost customer.*

Causes of Customer Attrition

When companies institute a systematic process for "listening" to customers and the market, they are less likely to have serious loyalty problems. Customers are not shy; they openly share their concerns and problems, directly or indirectly letting an organization know when they are considering defecting. For example, when customers repeatedly call a credit card company to ask about what annual percentage rate (APR) they are paying on their credit card, they are communicating that they are shopping for a better rate. Some customers directly ask for a lower APR and tell an agent that they have a better offer. Other customers call three or four times to inquire about the APR. In both situations the customer is letting the organization know that they are shopping for a better rate. Unfortunately, the vast majority of companies do not have a customer relationship management (CRM) application or analytics solutions that are tuned to proactively identify "at-risk" customers before it is too late.

There is a misconception that price is the primary cause for customer attrition. While price is a contributing factor, particularly in our current environment where most customers – consumers or businesses – perceive the majority of products and services to be commoditized, service is the primary differentiator. But the term "service" encompasses all aspects of a customer's relationship with a company – from the initial touch, through the sale, product performance, ongoing support and replacement. If nothing goes wrong at any point in a relationship, most customers continue to do business with a company. However, if a consumer has a negative experience or a change in their lifestyle, they may be "forced" to reconsider the relationship. If the company performs well at the "moment of truth," they retain the customer; if not, the company usually loses the customer.

The contact center plays a crucial role in retaining customers throughout the customer life cycle, particularly at the pivotal point when a customer is reconsidering the value proposition of the company's products and services. If agents are well trained, empowered to act, and have the necessary systems and data to determine the right actions, they will be able to retain at-risk customers by meeting or exceeding their expectations.

While in the majority of situations, the customer's unhappiness is the result of corporate policies, operational or systems issues, quality problems, or competitive situations, DMG's research has found that the agent's handling of the service interaction decides the outcome – a saved or lost customer. Below are twelve “deadly” agent phrases that should be avoided, as they are guaranteed to annoy customers and drive even loyal ones to competitors:

1. “It’s our policy.”
2. “There’s nothing I can do for you.”
3. “We can’t do that,” or “We don’t have that.”
4. “My system won’t let me do that.”
5. “There are no supervisors.”
6. “I can’t transfer you.”
7. “You’ll have to call another department.”
8. “I can’t help you with that. You’ll have to put it in writing and send it to....”
9. “I have to charge you a fee”
10. “I can’t remove that fee.”
11. “It was stated in the agreement. Didn’t you read it?”
12. “Call me back when you’re ready...”

While there are certainly some bad contact center agents who should not be interacting with customers (and should be taken off the phone as quickly as possible), the preceding statements are generally the fault of rigid management policy and poor agent training. Most agents really want to help customers, not frustrate them.

Action Item: Use quality management and speech analytics solutions to automate the monitoring of service calls. If you hear your agents make these statements or similar ones, review your policies, procedures, systems infrastructure and agent training. Identify the underlying causes of the problem and change the “I can’t” to “I can,” so that your agents are empowered to do a great job representing your company.

Building a Successful Contact Center Customer Retention Program

The contact center is the focal point of customer interactions representing the enterprise to its customers. The contact center must have the support of all departments within the company for a customer retention program to live up to its potential. Figure 1 presents eleven organizational and system best practices that will help a company build a culture dedicated to customer loyalty and retention. These practices will empower the contact center to deliver a successful customer retention program.

Figure 1: 11 Essential Steps for Creating a Successful Retention Program

- ✓ Establish a cross-functional retention team with constituents from all customer-facing departments – sales, marketing, service, operations, and any external organizations that impact the customer experience, such as the IT organization, legal and risk management. The team should include decision makers who are positioned to effect change on a timely basis.
- ✓ The cross-functional retention team should conduct an in-depth customer churn analysis to determine the top 20 reasons why customers are defecting or are dissatisfied with the company, its products, services, policies, procedures, etc. Input for this analysis should be provided by contact center agents, studies analyzing the reasons customers close accounts, data about discontinued services, analysis of complaint calls, customer satisfaction surveys, and customer focus groups.
- ✓ Review all customer channels, touch points and communications from the *perspective of the customer*. Identify customer “pain points,” barriers to service delivery excellence, and procedures and policies that unnecessarily impede agents from delivering what the customer wants.
- ✓ Based on value to the customer, create a list of high-impact process, systems and organizational improvements that are necessary to increase customer loyalty. Build a project plan to address the issues, obtain the support of senior management, and begin implementing the enhancements. Be sure to communicate improvements promptly to all employees, particularly the customer-facing staff. This plan should address issues inside and outside of the contact center.
- ✓ Conduct a baseline analysis of the operating environment to determine current performance before implementing the retention program. It is critical to be able to measure the success of the initiative and to identify and reward employees who make outstanding contributions.

- ✓ It's ideal to train all agents with customer retention skills. However, if this approach is cost prohibitive, create a dedicated group of contact center retention and/or win-back agents. Establish a network of retention specialists in all functional departments throughout the company who can assist retention agents in rapidly resolving customer issues. Empower all retention agents and specialists with expanded decision making authority, increased fee adjustment parameters, and access to all necessary customer, analytics and operational systems required to get the job done while the customer is still on the line. Additionally, create a number of special offers and options that they can use to forestall customer attrition.
- ✓ Ensure that contact center agents have a complete view of every customer's relationship with the company and their projected lifetime value, so that agents can make the right retention offer in each case.
- ✓ Roll out the contact center program in phases; start with a pilot, review results and make adjustments to effect improvements. (This should be done on an ongoing basis.)
- ✓ Set up a process to measure and share the results of the retention program. Conduct ongoing meetings with the cross-functional retention team to communicate the results, understand the current underlying reasons for customer dissatisfaction/defection, and identify additional countermeasures to increase customer retention.
- ✓ Communicate program success throughout the company and recognize and reward top performers inside and outside of the contact center.
- ✓ Modify and/or introduce employee training programs that help every employee – within the contact center and in other departments – take an active role in building a culture dedicated to customer loyalty and retention. Recognize that customer satisfaction and retention is an ongoing effort, a process that is either fostered or eroded with every interaction or experience that a customer has with your company.

Action Item: Get the support of all customer-facing departments, operations and IT, in order to build a successful contact center customer retention program.

Developing Contact Center Retention Specialists

Management must empower contact center staff to take immediate action to retain at-risk customers, and not tie their hands with regulations and limits from compliance and auditing groups, as happens all too often. It is good business practice to assign rules and budgets for fee reversals, free services, gifts given away, etc., but then managers must be allowed to act within the budget as needed. Because some customers are worth more than others (based on their projected life time value), managers need the flexibility to handle each situation individually. Agents need a CRM application supported by the necessary analytics to proactively identify at-risk customers, and then be authorized to do what it takes (within guidelines) to retain a customer when they initially reach out. Reactive “win-back” programs can have excellent results, but addressing customer needs at the point of contact is more effective, increases satisfaction and reduces costs.

Contact center agents are a critical success factor in customer retention programs. Management must address the following agent issues:

- Hiring the right people
- Training the staff thoroughly and properly (including ongoing training)
- Empowering agents
- Giving agents the right applications and tools
- Supporting agents
- Motivating agents
- Providing rewards and incentives for outstanding performance

Job Requirements for Customer Retention Specialists

Customer retention specialists need a unique combination of service and sales skills. They must consistently demonstrate service excellence, possess outstanding oral, written and interpersonal skills and apply in-depth product, procedure and system knowledge to produce optimal outcomes. Retention specialists are strong sales people, as well as customer advocates who proactively and rapidly identify at-risk customers and enjoy the challenge of retaining them.

Few individuals have all of these skills when they are hired; they have to be developed through training, experience and support. However, it's important to point out that service agents who do not enjoy selling and negotiating with customers are unlikely to be effective retention specialists. The position of retention specialist is often considered a promotion for existing contact center staff and is generally accompanied with an increase in salary. (This helps to retain excellent agents.) Once identified, these agents receive specialty training, which generally lasts three days to one week, to build the necessary sales and negotiations skills and to learn about the company's various offerings. Retention agents should meet weekly with their peers and management to discuss best and worst practices, methods to improve customer retention, effectiveness of offers, recommendations for new offerings, and to share customer feedback regarding their reasons for defection. Contact center management must organize this data and share it with the cross-functional retention team, so that the underlying issues can be quickly addressed and resolved.

Retaining frustrated and often angry customers is one of the most difficult jobs in a contact center. The agents who do this job must be consistently empowered, supported and recognized. The best retention agents are highly motivated by the challenge and thrive on their success. While these agents do not perform this job solely for the recognition, companies should create formal rewards and incentives in order to attract the best candidates for this high stress function. Monetary incentives are recommended – agents should be financially rewarded for improving the bottom line, just as sales people are paid a commission. However, company recognition is just as important. Agents find it highly motivating when senior executives, particularly from outside the contact center, join them while they handle these calls; a secondary benefit is that executives who participate in these visits often gain an appreciation of how their policies impact customer satisfaction and their company's bottom line.

Action Item: Invest in developing contact center customer retention specialists. Empower them and support their efforts to do their jobs effectively. Use various programs to recognize and reward their outstanding performance.

Maximizing Customer Retention: A Blueprint for Successful Contact Centers

Evaluating the Effectiveness of Retention Programs

It's essential to establish realistic goals for a customer retention program. The traditional agent key performance indicators (KPIs) – number of calls handled or average talk time – are narrowly focused on productivity. These KPIs must be augmented with or replaced by metrics that are directly correlated to the success of the customer retention program, such as number of attempted saves, percent of successful saves, and lifetime value of saved customers. These metrics should be included in a balanced scorecard for customer retention specialists. See Figure 2.

Figure 2: Balanced Scorecard for an Inbound Retention Specialist

Figure 2: Balanced Scorecard: Inbound Retention Specialist _____									
(Agent name)									
Productivity					Effectiveness				
KPI	Weight	Goal	Score	Variance	KPI	Weight	Goal	Score	Variance
# of Calls Offered					# of Accounts Retained				
# of Emails Offered					# of Accounts Reopened				
# of Calls Handled					Retention Rate				
# of Emails Handled					Retention Rate for Offer 1				
Avg. Talk Time					Retention Rate for Offer 2				
Avg. After Call Work/Wrap Time					Retention Rate for HVC				
Avg. Handle Time					Retention Rate for IVC				
# Retention Offers Made					Retention Rate for LVC				
# of Offer 1					Quality				
# of Offer 2					KPI	Weight	Goal	Score	Variance
# Offers to High Value Customers (HVC)					Average Call QA Score				
# Offers to Intermediate Value Customers (IVC)					Average Email QA Score				
# Offers to Low Value Customers (LVC)					Verbal Communication Skills				
Revenue					Written Communication Skills				
KPI	Weight	Goal	Score	Variance	Retention Skills				
Avg. Profitability: Retained Accounts					Product Knowledge				
Avg. Profitability: Reopened Accounts					Retention Offer Knowledge				
Avg. Lifetime Value: Retained Accounts					Transaction Accuracy				
Average Lifetime Value: Reopened Accounts					Customer Satisfaction				
					KPI	Weight	Goal	Score	Variance
					Survey Satisfaction Rating				
					Customer Attrition Rate				

Scorecards should also be created to measure the performance of each retention team and the overall contact center. Additionally, it's highly beneficial to create scorecards to capture and evaluate the underlying issues that cause customers to consider defecting. These scorecards should identify customer issues related to products, sales, marketing, service/support, operations, credit and many other areas. Creating functionally-oriented scorecards is challenging and requires a CRM application to capture these varied issues. However, balanced scorecards are essential for any company dedicated to ongoing process improvement, cost reduction, and providing an outstanding customer experience.

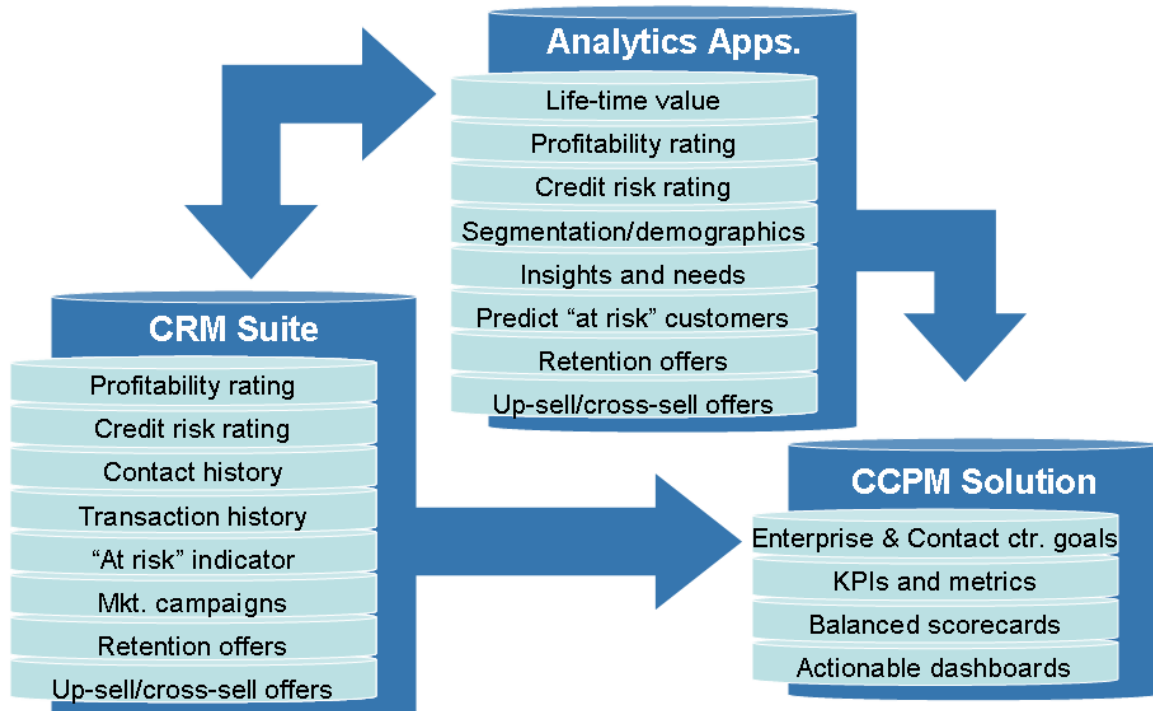
Action Item: Use balanced scorecards to measure the performance of contact center customer retention specialists. Also, use real-time contact center performance management (CCPM) to identify and address the underlying issues that cause customers to defect.

Customer Retention Systems and Applications

Consistently providing outstanding service to thousands or millions of customers requires a systems infrastructure that gives users a complete, cross-functional, real-time view of each customer's relationship with a business. Agents need access to all information about tenure, transaction history, pricing, products, services, marketing programs, retention offers, etc.

Three solutions are essential for empowering agents to retain customers. The first is a CRM solution that provides a complete view of every customer's relationship with the company, including a history of all contacts and interactions. The second are analytics applications that evaluate, segment and identify at-risk customers and the best way to retain them. The third is a CCPM solution that aligns the goals of the contact center with the enterprise, provides scorecards and dashboards to measure agent and departmental performance, and identifies the reasons why customers want to defect. See Figure 3.

Figure 3: Contact Center Customer Retention Supporting Applications



CRM Solutions: A CRM solution is an agent’s primary tool for servicing customers. The best CRM suites integrate data from all legacy systems and eliminate the need for agents to access any other systems, applications or tools; this can be facilitated with a Services Oriented Architecture (SOA). It is important for CRM applications to be able to accept real-time feeds from supporting analytics and operational solutions. Retention specialists have a short amount of time to convince a customer not to defect. To perform their job, they need to quickly gain a complete understanding of a customer’s past relationship with the company (transaction and contact history), their current and long-term value to the business (profitability and risk ratings) and how to best retain them (retention offers). In addition, there are times when agents need to know the most appropriate up-sell/cross-sell opportunities, in order to retain a customer. As all contact centers are different and have unique approaches to handling customers, the CRM solution must be flexible, easily customizable and allow a business to set up the servicing application workflow in a manner that optimizes the performance of their agents. It’s also ideal for the CRM application to be easy to use, scale and adapt to the needs of the business and use computer telephony integration to facilitate call handling.

Analytics Applications: Analytics applications assess and evaluate customers and determine their short and long-term value and potential for a business. For years, these applications have predicted customer buying patterns, but the newer solutions are also able to identify customer needs and wants by structuring and analyzing customer interactions. Analytics applications perform segmentation and demographic analysis, identify at-risk customers, project lifetime value, profitability and credit ratings. They also identify the most appropriate offers for retaining customers and extending relationships via up-sell or cross-sell opportunities. Analytics is a primary feed into the CRM solution. The better analytics environments provide historical data and also real-time inputs to CRM solutions to help agents provide the best and most accurate service to customers.

Contact Center Performance Management Solutions: CCPM solutions provide an analytical framework for managing and improving the effectiveness, quality and overall experience provided by the contact center. CCPM is a process that uses goals, key performance indicators and metrics to measure the performance of the contact center, its managers, supervisors and agents. It also measures how well the contact center delivers to enterprise goals. It can and should be used to provide real-time and historical input to the operating areas supported by the contact center. Both the CRM and analytics solutions should feed real-time and historical data to the CCPM solution so that it can identify the actions required to improve the performance of the contact center, sales, marketing and operating departments.

Each of these solutions – CRM suites, analytics applications and CCPM systems – are essential and play an important role in helping agents retain customers. However, the value of these solutions increases substantially, for both the contact center and the rest of the company, when they are fully integrated.

Action Item: Invest in CRM, analytics and CCPM applications when building the infrastructure to support a contact center customer retention program.

Final Thoughts

Building a loyal customer base is a primary goal for companies of all sizes around the world. To achieve this goal, companies need a systems infrastructure that provides detailed information on each customer's activities and allows them to proactively analyze and anticipate customer dissatisfaction. When early warning systems and loyalty programs fail, the contact center faces the moment of truth with at-risk customers. Well-trained and empowered agents can retain the vast majority of their customers. The challenge is to give agents the support, information and flexibility they need to get the job done. This is a complex effort that requires a sturdy CRM and analytics systems infrastructure and the ongoing support of senior management, all customer-facing departments, operational groups, and IT.