



# The service differentiator

*A how-to guide to engaging your customers*

## Executive summary

The business landscape has been drastically altered by rapid technical innovation in the last 10 years. We are building networks, sharing information, and conducting transactions at ever-increasing speed. The Internet, mobile devices, and other communications technologies have drawn the worldwide business community together, obliterating differences of geography and time zones.

Meanwhile, most of us are struggling to see how all of this innovation has improved the quality of customer service. Sure, customers can transact business in real-time from anywhere around the world, but the standard of service has not kept up with technological progress or the growing need for immediate gratification. It doesn't have to be this way. Enterprises can use new technologies such as IP, XML, Web services, and SIP to deliver outstanding proactive service to all constituents—customers, partners, suppliers and employees—to engage them in new and exciting ways.

Companies that engage their customers have a competitive advantage in an era when service is often the only differentiator between otherwise indistinguishable products. Engaged Businesses anticipate and address the needs of their customers in a timely manner. Delivering engaged service enables an organization to build lasting and profitable relationships with its customers, making their businesses more productive and reducing expenses by optimizing the use of resources to satisfy each and every customer.

All companies have the potential to engage their customers. Enterprises must begin by examining the focal point for most customer interactions—the contact center. To thrive in this increasingly competitive business landscape, organizations must transform their contact centers from being merely reactive to being proactive service providers—delivering the right service, at the right time, in the right place, and in the right channel. This paper provides a road map for implementing the necessary changes in company strategy, processes, and technology to evolve from a reactive to an engaged service organization that sets the bar for service excellence.

## Introduction

Customers, including employees, partners, and suppliers, are frustrated and dissatisfied with the substandard service provided by most businesses around the world. They are weary of asking companies for help only to receive inadequate and uncaring responses. Poor service is at almost epidemic levels, but there is a remedy in sight. Engaging your customers is an excellent enterprise strategy, a call to action that can reverse the downward spiral of customer service.

The degradation of customer quality is counter-intuitive, as recent technological innovation has given us much better insight into customers' needs and wants. Customers are very clear about their expectations for service: They want proactive service that is "painless." Customers do not care about an enterprise's policies or its cost of providing service, but they do care greatly about long waits in line, on the phone, or for an e-mail response.

Unfortunately, most enterprises have not kept up with customers' exponentially increasing expectations for good service. Service quality is subjective and often based on each customer's last service experience. One bad service experience can undo all previous service excellence. On the other hand, when customers are consistently thrilled with your company's service experience, this means that you set the bar for excellence. Delighted by your service, customers will have no reason to take their business elsewhere. Better yet, they will also recommend your company to others.

According to Gartner, it's 8 to 10 times more expensive to acquire new customers than to retain them. Even though service organizations interact most frequently with customers, understand their needs and wants (because customers tell them), and play the pivotal role in satisfying, retaining and engaging customers, these departments are often treated as less important. Sales and marketing organizations are profit centers and get bigger budgets, though their campaigns typically yield only a two percent to three percent response, translating into a 97 percent to 98 percent waste of their spending. In the meantime, service organizations are constantly asked to "do more with less."

Service organizations should be substantially more productive today than they were in the past. New software-based Internet Protocol (IP) multi-channel offerings give enterprises the flexibility to meet every customer's unique service requirements while decreasing costs. Extensible Markup Language (XML) and Web services can be used to differentiate and predict customers' product and service needs, while session initiation protocol (SIP) finds mobile customers wherever they are on any device.

The challenge is to go beyond providing merely adequate customer service, and to instead proactively engage customers, anticipating their needs and avoiding unpleasant and costly service experiences. The opportunity is to translate service interactions into experiences that regularly exceed your customers' expectations and establish their commitment to be business partners for life.

### Current market drivers

Customer expectation for quality service is unique in that it increases no matter what else happens in the economy.

Engaging the customer during all phases of the customer life cycle is critical for building any business relationship or partnership. This is a difficult goal for enterprises, because customers are constantly challenging companies to improve service quality and today's outstanding service soon becomes the status quo, as Nordstrom\*, the department store, is now learning.

The market trends driving service delivery and contact center performance are:

- Maturing customer expectations
- Need for sales and marketing organizations to better understand customer insights
- Growing demand for real-time performance
- Availability of new technologies for proactive and mobile service



## Evolution of contact centers

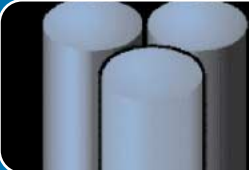

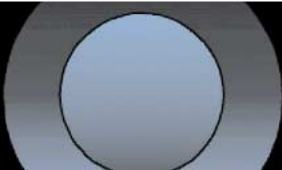
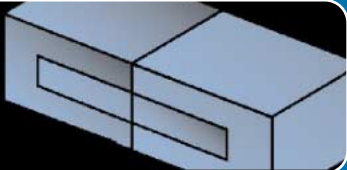
The most successful and respected service organizations are those that reinvent themselves every 9 to 18 months, as the only given in contact centers is change. Contact center technologies and best practices have matured since the first Automatic Call Distributor (ACD) was introduced in the mid-70s. Refer to the Contact Center Evolution chart above.

Enterprises can be segmented into four major categories or stages of business evolution, based on their strategy, management practices, and technology. The four categories are: Siloed, Linked, Integrated, and Engaged. All four

strategies may be in use in different business units of a single company, such as a bank. It's also not unusual to find contact centers with characteristics of more than one category. For example, there are telecom providers with contact centers that are basically Siloed in that they are productivity and cost oriented, but these same centers have many programs to improve customer loyalty and invest a great deal in understanding the lifetime value of their customers, a feature generally associated with Integrated contact centers. Below are descriptions of contact centers that would be found within each of the four business categories:

**Siloed**—Service organizations that emphasize cost containment and productivity. These centers have limited customer knowledge due to their lack of integration with customer repositories and enterprise systems. Siloed contact centers are often perceived as “gate keepers” by customers and as a burdensome but unavoidable cost by senior managers. These contact centers concentrate on operational performance, not service quality or customer retention, and depend on automation to reduce expenses. Siloed contact centers often use interactive voice response

### Contact center evolution

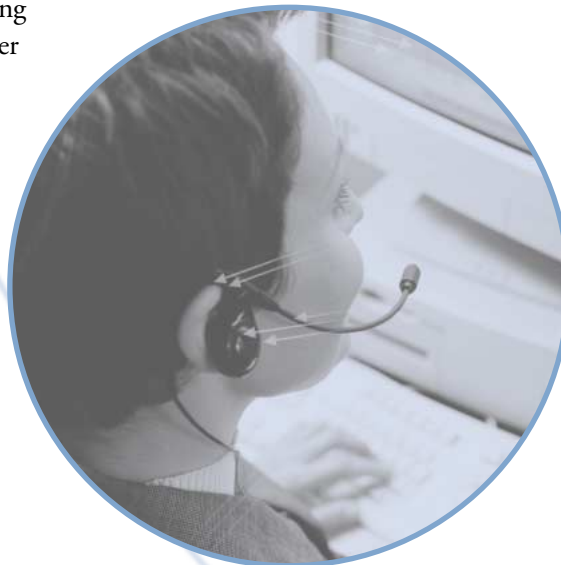
	Siloed	Linked	Integrated	Engaged
				
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Focus on containing the cost of each transaction</li> <li>• Limited customer knowledge restricts service quality</li> </ul>	<ul style="list-style-type: none"> <li>• Share information between sales, marketing, and customer service to improve customer satisfaction</li> <li>• Customer segmentation to enhance service quality</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on use of Customer Relationship Management (CRM) and integrated systems to improve customer loyalty, profitability, and value</li> <li>• Integration facilitates personalized service</li> </ul>	<ul style="list-style-type: none"> <li>• Provide anticipatory and proactive service in each customer's channel of choice.</li> <li>• Mobile service</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>• Productivity oriented, emphasis on operational statistics:               <ul style="list-style-type: none"> <li>- Average speed of answer</li> <li>- Average talk time</li> <li>- Calls/agent</li> <li>- Number of units sold</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Focus on customer satisfaction metrics and customer surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Functional integration between sales, marketing, and customer service</li> <li>• Emphasis on customer lifetime value and/or retention</li> </ul>	<ul style="list-style-type: none"> <li>• Proactively reach out to customers and build relationships to engage them during all aspects of the customer life cycle. Provide service above and beyond customer expectations</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Basic routing of calls to most available agent</li> <li>• Logging and tracking customer calls</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced contact center technologies and applications to improve and measure customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-channel support and integration of customer service, sales, and marketing with back-office operations and applications</li> </ul>	<ul style="list-style-type: none"> <li>• IP-based, multi-channel, media-independent, mobile service infrastructure that is adaptive in real time.</li> </ul>

(IVR) systems to automate call handling, workforce management to optimize agent performance, and call center productivity reporting (average speed of answer, calls/agent, average work time) to manage the center.

**Linked**—Service organizations that focus on quality metrics and customer satisfaction. These organizations appreciate the inter-relationship of sales, marketing, and service and have begun integrating their departmental customer service and support (CSS) application with their repositories of customer information and data warehouses. Linked contact centers use advanced technologies including computer telephony integration (CTI), softphone capabilities, quality management, and surveying applications to improve and measure customer satisfaction. These centers dedicate significant resources to agent training and coaching and carefully track first call resolution.

**Integrated**—Service organizations that successfully implement customer relationship management (CRM) suites and integrate the servicing application with other front and back office applications to share customer information on a timely basis. These contact centers work cooperatively with sales and marketing and place great emphasis on customer lifetime value, retention initiatives, and personalized service. Integrated contact centers are multi-channel, multi-purpose organizations that service all constituents—customers, prospects, and the supply chain—in a logically consolidated but physically dispersed environment. These organizations invest in eService functionality to handle customer e-mail and chat inquiries.

**Engaged**—Service organizations that proactively reach out and build lasting relationships by engaging customers during all aspects of the customer life cycle. An Engaged contact center uses predictive technology and analytics to anticipate service requirements and to address these needs before customers ask for help. Engaged service organizations use mobile technology to deliver service to customers in their channel of choice, regardless of the customer's location. They strive to build lasting relationships with customers by constantly exceeding their expectations for service. These contact centers share common goals with sales and marketing organizations and are revenue-generating profit centers. Engaged contact centers are directed by a new breed of managers, who are politically savvy, have a strong background in sales and marketing as well as customer service, and are technically adept. These centers are staffed with agents who are dedicated to providing outstanding service and motivated by enterprise-wide profits and success. Engaged contact centers have IP-based, multi-channel, media independent infrastructures that use SIP, XML, and Web services to ensure ease of integration and openness.



## Value and benefits of being an Engaged Business

Enterprises that successfully anticipate customer needs can optimize the use of agents—their most expensive resources—and deliver better service more efficiently. For example, it's costly for brokerages to pay overtime rates to staff their contact centers when there are unplanned surges in call volume. Alternatively, a brokerage that quickly identifies an operational problem, such as a mistaken double charging of fees, and proactively communicates the resolution to its customers with an outbound message in the customers' channel of choice, will prevent the call and e-mail surge altogether, and may even avoid some of its normal call volume.

The benefits of an Engaged Business model are both hard and soft:

### Hard benefits include:

- Improved productivity
- Reduced operating expenses
- Decreased call volume
- Avoidance of unexpected call and e-mail surges
- Reduced overtime expenses
- Increased revenue and profitability

### Soft benefits are:

- Increased customer satisfaction and loyalty
- Enhanced ability to provide personalized service in each customer's channel of choice
- More flexible and mobile service delivery
- Better insights into customer needs and wants
- Reduced agent attrition

Companies that provide proactive, mobile service personalized to each customer's preferred channel (phone, cell phone, PC, PDA) will improve service quality and establish a competitively differentiated level of service. As valuable as the benefit is for customers, it's just as compelling for enterprises. Improved service reduces operating expenses because it allows a company to do a better job of planning and using its resources. Moreover, it will reduce agent attrition by decreasing the number of complaints directed at contact center personnel.

## Transformation road map

Good service at a reasonable and ever-decreasing cost is not an option, it's necessary to remain viable and competitive. Enterprises employing an Engaged Business model provide the right service, at the right time, in the right place, and in the right channel. Although Engagement is the goal for many companies, the majority of enterprises are still trapped in the productivity mindset and are struggling to obtain an integrated view of their customers.

As a company moves from a Siloed, reactive, productivity-oriented mode towards an Engaged, proactive, and media-independent strategy, its contact centers will need to transform as well. The chart on page 6, *Contact Center transformation steps*, reflects the initiatives required to make the transition. It's critical for all enterprises, regardless of the maturity of their service organizations, to strive to build lasting and profitable customer relationships while decreasing costs.

The chart highlights people, process, and technology issues that must be addressed, as optimizing all three is critical to successfully migrate any service environment. Implementing changes in all facets of the service organization is a challenge, but the results can be significant, with increased value to the company and its customers.

The steps listed in the chart are essential for success at each stage of the transformation.

### *Contact center changes to support the migration from a Siloed to a Linked business*

The vast majority of contact centers today display some of the characteristics of a basic Siloed business strategy. Managing productivity and expenses—the hallmarks of a Silo—are important, but shouldn't be the exclusive goal of any service environment. Companies with a quality orientation often achieve or exceed the performance and productivity levels of companies that emphasize only cost containment.

To transform from a Siloed to a Linked business that focuses on service quality and sharing customer data with all customer-facing departments, contact centers should follow these steps:

1. Implement CTI to identify callers, “pop” calls to agents, and improve call processing efficiency.
2. Implement intelligent skill-based routing functionality to automatically find the best match between agents and customer needs, to maximize customer satisfaction and optimize contact center performance.

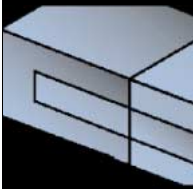
3. Implement a customer service and support (CSS) application to improve service quality, gather customer data, and share this information with sales and marketing departments.
4. Implement a call logging and quality assurance application to measure how well agents adhere to internal processes and procedures and to identify areas where improvements are needed in order to enhance customer satisfaction.
5. Develop survey programs to assess customer satisfaction and loyalty.
6. Begin building an enterprise-wide data warehouse that uses information harvested from customer interactions to segment customers and provide service based on their profitability.
7. Develop and introduce customer retention programs.
8. Create marketing campaigns and loyalty programs designed to retain customers.
9. Introduce agent coaching programs and motivate agents to improve call center performance by enhancing the quality of their services. (Improvements in quality yield productivity improvements.)
10. Adapt agent training to include emphasis on communications, problem resolution, and call management.
11. Shift management emphasis from number of calls handled to first call resolution to enhance customer satisfaction.

## Contact center transformation steps

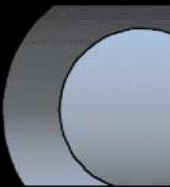
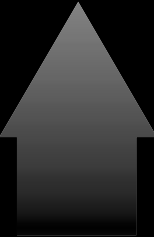
1. Migrate from a TDM-based contact center to an IP-based multi-channel, media independent and mobile service infrastructure
2. Use XML and Web services to open contact center and service infrastructure to the rest of the enterprise
3. Implement SIP to allow multi-modal communications within an IP infrastructure
4. Migrate to a real-time enterprise
5. Implement speech recognition applications
6. Use natural language processing (NLP) technology and applications to improve understanding of customer needs and wants
7. Enhance CSS servicing applications and CRM suite with analytical capabilities
8. Migrate service infrastructure and enterprise mindset from reactive to proactive
9. Incorporate customer service functionality in all aspects of the customer life cycle to engage customers during all interactions
10. Establish new interdepartmental goals and rewards to encourage full cooperation between sales, marketing, and service
11. Make agent performance management an integral component of the contact center
12. Modify quality management and coaching programs
13. Retrain agents and introduce new incentive programs to reward proactive service

1. Implement a multi-channel, multi-purpose contact center
2. Implement universal-queuing technology
3. Implement eService functionality that is integrated with the phone servicing environment
4. Replace stand-alone CSS application with a fully integrated, n-tiered, Customer Relationship Management (CRM) suite
5. Integrate front and back-end systems
6. Create processes that allow for use of customer data to personalize offerings
7. Strengthen working relationships between sales, marketing, and service organizations
8. Build programs to promote up-sell and cross-sell by customer service agents
9. Hire 'renaissance' people to manage new multi-purpose, multichannel contact centers
10. Hire and train new agents to handle new e-mail and chat channels effectively

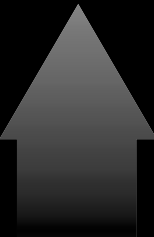
1. Implement computer telephony integration (CTI)
2. Implement contact center skill-based routing
3. Implement a customer service and support (CSS) application
4. Implement call logging and quality assurance application
5. Develop customer survey programs
6. Begin building an enterprise-wide customer data warehouse
7. Develop and introduce customer retention programs
8. Design and offer marketing campaigns and loyalty programs
9. Introduce agent coaching and motivate agents
10. Adapt agent training to include emphasis on communications, problem resolution, and call management
11. Shift management emphasis from number of calls handled to first call resolution



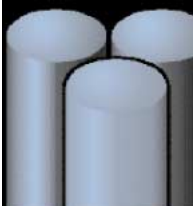
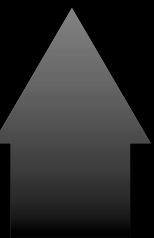
*Engaged*



*Integrated*



*Linked*



*Siloed*

### *Contact center changes to support the transformation from a Linked to an Integrated business*

Linked enterprises are dedicated to providing high-quality customer service and focus on customer satisfaction and metrics. These companies personalize service offerings to maximize the lifetime value of customers. Likewise, the goal of a CRM strategy is to leverage customer data to optimize the long-term value and profitability of each customer. Enterprises that are successful in implementing and integrating CRM suites achieve an all-encompassing view of the customer and are better able to provide customized service that customers find valuable and useful. And customers who find service worthwhile are much more likely to remain loyal in an era when service is often the only differentiator between products.

The critical steps for building a contact center in a Linked enterprise are:

1. Implement a multi-channel (phone, e-mail, chat, fax), multi-purpose contact center that services all constituents (sales, marketing, customer service, channel partners, investors) in a logically consolidated but physically dispersed environment.
2. Implement universal queuing technology that integrates channels and allows enterprises to standardize the handling of all transactions by applying:
  - Routing
  - Queuing
  - Advanced work-flow
  - Integrated reporting

3. Implement eService functionality that is integrated with the phone servicing environment and automates the handling of e-mails and chat sessions.
4. Replace stand-alone CSS application with a fully integrated, n-tiered, CRM suite. The CRM suite has a standardized customer database and schema that is capable of providing an integrated view of each customer for sales, marketing, and customer service.
5. Integrate the front and back-end systems to provide a more complete understanding of customer value and long-term profitability.
6. Create processes that allow for use of customer-specific data to provide more customized and personalized product and service offerings.
7. Strengthen working relationships between sales, marketing, and service organizations to facilitate the sharing of customer information in order to improve the organization's overall ability to market and sell.
8. Build programs to promote up-sell and cross-sell by customer service agents. Modify servicing systems and train, motivate, and reward agents for this new sales function.
9. Hire "renaissance" people to manage new multi-purpose, multi-channel contact centers. Outstanding political astuteness is an essential skill. New managers must be technically adept and have excellent interpersonal skills to be able to build bridges with sales and marketing.
10. Hire and train agents to handle new e-mail and chat channels effectively.

### *Contact center changes to support the transformation from an Integrated to an Engaged Business*

Imagine receiving a call from the local garage telling you that you have a flat tire, before you were aware of the inconvenience, and offering to come fix it while you remain at work. Or, your washing machine company calls to advise you not to use it until they can come to fix a widget that will break during the next use and, once broken, will flood your basement. Personalized proactive service is no longer just a concept, it's a reality. A limited number of leading-edge contact centers have already achieved a strategic advantage by using technology to anticipate failures and fix problems before they can impact customers.

Enterprises that have successfully implemented CRM can track and reach their customers at any point during the day. IP contact centers use SIP to establish a session between two communication endpoints regardless of the channel. XML allows for data exchange between diverse applications in and out of an enterprise. And mobile technologies allow enterprises to access customers anywhere.

Here are the contact center changes to complete the metamorphosis from a reactive Integrated enterprise to a fully Engaged Business strategy:

1. Migrate from a TDM-based call center to an IP-based, multi-channel, media independent, and mobile service infrastructure to build flexible service environments.
2. Use XML and Web services to open contact center and service infrastructure to the rest of the enterprise. This will enable the sharing of customer data between departments on a timely basis.
3. Implement SIP to allow multi-modal communications within an infrastructure and to ensure that customers can be serviced via their channel of choice.
4. Migrate to a real-time enterprise to improve customer satisfaction, increase profitability, and reduce operating expenses.
5. Implement speech recognition applications to improve service delivery and reduce expenses by increasing customer use and acceptance of self-service technology.
6. Use natural language processing (NLP) technology and applications to improve understanding of customer needs and wants embedded in unstructured communications, such as e-mails or phone conversations. This will enable an organization to better anticipate and address customer requirements.
7. Enhance CSS servicing applications and CRM suite with analytical capabilities to identify operational issues and potential problems before they impact customers.
8. Migrate service infrastructure and enterprise mindset from reactive to proactive. Develop processes and procedures that anticipate customer needs and provide personalized service—the right service, at the right time, in the right place, in the right channel.
9. Incorporate customer service functionality in all aspects of the customer life cycle so that customers can be fully engaged during all interactions.
10. Establish new interdepartmental goals and rewards to encourage full cooperation between sales, marketing, and service.
11. Make agent performance management an integral component of the contact center.
12. Modify quality management and coaching programs.
13. Retrain agents and introduce new incentive programs to reward proactive service.

The technologies are viable, ready for use, and waiting for companies that are willing and able to reinvent themselves as leading-edge providers of proactive customer service—innovative companies willing to lead the market by providing differentiated service that engages customers, creates relationships, and is second to none.

## Conclusion

Providing outstanding customer service is an essential differentiator in an era when customers and prospects view the majority of products and services, from breakfast cereal to lawyers' services, as commodities. An enterprise that is dedicated to engaging its customers as partners, proactively solving problems, and delivering the right service, at the right time, in the right place, and in the right channel, will continuously reset the bar for service excellence. In so doing, the Engaged Business will create a customer base that is not only loyal, but so satisfied that they won't consider doing business with anyone else.

For more information on engaging your customers or any other concepts presented in this paper, please contact your Nortel Networks representative, or call 1-800-4NORTEL or 1-800-466-7835 from anywhere in North America.



### *About the author*

Donna Fluss is the Principal of DMG Consulting ([www.dmgconsult.com](http://www.dmgconsult.com)), a firm specializing in contact center and analytics strategy, operations, and technology. She is a contact center expert with over 20 years of experience and more than 3,000 engagements advising Fortune 2000 companies, technology enterprises, and venture capital firms. Donna is a former Vice President and Research Director in Gartner's CRM Practice and a recognized leader in all areas of customer relationships, service, and support. Donna is a well-known, highly respected writer and speaker. She is a columnist for *ICCM Weekly* and a contributor to *Contact Center Magazine*, *Line56.com*, *Peppers* and *Rogers 1to1 Magazine*, *Customer Interface Magazine* and *europecontactcenter.com*. Donna can be reached via e-mail at [donna.fluss@dmgconsult.com](mailto:donna.fluss@dmgconsult.com).

#### **In the United States:**

Nortel Networks  
35 Davis Drive  
Research Triangle Park, NC 27709  
USA

#### **In Canada:**

Nortel Networks  
8200 Dixie Road,  
Suite 100  
Brampton, Ontario L6T 5P6  
Canada

#### **In Caribbean and Latin America:**

Nortel Networks  
1500 Concorde Terrace  
Sunrise, FL 33323  
USA

#### **In Europe:**

Nortel Networks  
Maidenhead Office Park  
Westacott Way  
Maidenhead Berkshire SL6 3QH  
UK

#### **In Greater China:**

Nortel Networks  
6/F Cityplaza 4,  
Taikooshing,  
12 Taikoo Wan Road,  
Hong Kong

#### **In Australia:**

Nortel Networks  
Level 5, 495 Victoria Avenue  
Chattswood, NSW, 2067, Australia  
Phone: +61 2 8870 5200



*Nortel Networks is an industry leader and innovator focused on transforming how the world communicates and exchanges information. The company is supplying its service provider and enterprise customers with communications technology and infrastructure to enable value-added IP data, voice and multimedia services spanning Wireless Networks, Wireline Networks, Enterprise Networks, and Optical Networks. As a global company, Nortel Networks does business in more than 150 countries. More information about Nortel Networks can be found on the Web at:*

**[www.nortelnetworks.com](http://www.nortelnetworks.com)**

For more information, contact your Nortel Networks representative, or call 1-800-4 NORTEL or 1-800-466-7835 from anywhere in North America.

\*Nortel Networks, the Nortel Networks logo, and the globemark design are trademarks of Nortel Networks. Nordstrom is a registered trademark of Nordstrom, Inc.

Copyright © 2003 Nortel Networks. All rights reserved. Information in this document is subject to change without notice. Nortel Networks assumes no responsibility for any errors that may appear in this document.

GSA Schedule GS-35F-0140L  
1-888-GSA-NTEL

**NN104271-063003**