

Customer Centered Service

A Clear Path to Loyalty

Repeat business from your existing customer base is the best kind of business you can have. And the best way to ensure repeat business is to treat your customers right. In this white paper we introduce the notion of Customer Centered Service, a new and exciting way to increase customer loyalty and, with it, profitability.

Keeping Customers Loyal

In most industries and market segments, there is no question any more that customer loyalty is a significant contributor to a company's long-term success. The reason for this is obvious: the cost of sales to repeat customers is usually lower than the cost of initial sales. As an existing customer is already familiar with your products, many steps in the sales cycle are eliminated or considerably reduced. Even when you introduce new products, it is easier to sell into your existing customer base than it is to sell to new customers. Existing customers, if they like doing business with you, are more likely to at least look at your new offerings. Studies reveal that a loyal customer base can be a great advantage.

A shift in [customer] retention of as little as 5 percentage points seems to account for more than a 20 percent improvement in productivity, which in certain industries can increase profit by 50 to 100 percent ...¹

It is important to seize every opportunity to engender loyalty among our customers so that they keep coming back to us. Repeat customers also tend to provide good references, and can be an invaluable resource when selling to new accounts. Prospects are assured that another company in similar circumstances has good experiences with not only your products and services, but also your customer support and service. So, having existing customers that say your company is easy to do business with can be a competitive differentiator.

Loyal and "referenceable" customers are invaluable. They are also hard to acquire. Some challenges you may face are:

- **It is easy for customers to switch to competitive products and services.**

Much as we would like to believe that we have the best offerings, the fact remains that new competitors spring up daily and lurk one click away from us. We have to find ways to be in tune with our customers, and proactively discover and address their changing needs.

- **Customers expectations are constantly rising.**

Customers want everything better, faster, and more. We see this in ourselves—as our lives become busier, we demand instant gratification, we expect things to work exactly the way we want them to work, and it takes a lot more to keep us loyal than it did a few years ago. Customers, whether individual consumers or business organizations, are no different. The bar of "acceptable"

1. Reichheld, Frederick F. *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*, Bain and Company Inc., 1996, page 13.

customer service is constantly being raised. In fact, meeting customer expectations just gets you onto the playing field; to be competitive, you have to exceed customer expectations and have your customer raise the bar to the point where your competitors cannot compete with you.

- **Our customer data is fragmented.**

Most companies support the execution of their business plans with a number of ongoing ebusiness initiatives. As a result of this, customer data resides in many different systems—a customer’s financial history may reside in the ERP system, the customer’s support history may be in one or more CRM systems and so on. This makes it difficult to have meaningful sales or service interactions with a customer, let alone offer self-service. It is very frustrating for a customer to be asked to contact one part of your company to handle accounting queries, and another to track the status of previous service incidents. And it is frustrating for customer service representatives to not have access to all the customer information they need to do their jobs well.

While there are many ways to meet these challenges and realize the opportunities, the optimal solution involves combining competitive products and services with superior and appropriate customer service. The basic principles still apply: If you offer your customers products at a fair price and treat them as you want to be treated when you are a customer you will build trust and, over time, loyalty. In the rest of this paper we will show how you can foster customer loyalty and increase your profits, using a best practice we call Customer Centered Service.

Customer Centered Service

Customer Centered Service is an approach that considers your company’s customer service delivery from the perspective of your customer, with a view to gaining trust and building loyalty and referenceability. It takes into account the business needs of your company, and then develops customer service systems in a way that is relevant to your customer’s needs. It ensures technology is implemented in a manner that helps you maximize the return on your investment. And it allows you to measure the success of your efforts and make changes as your business and customer needs change.

Our years of experience with and observation of customer service delivery in all kinds of companies in many different industries have led us to a startling conclusion: Very few customer service systems have anything to do with the customer. Many companies claim, “It’s all about the customer,” while their customer service systems seem to ignore the customer—these systems don’t inspire trust or confidence, and they are not designed to detect and adapt to changing preferences.

Most implementations of customer service systems are focused on the company, and what it thinks is the right way to do business with its customers. If there is any user input at all in the design and implementation of these systems, the users considered are customer service representatives, *not* customers. Some may argue that this approach was appropriate until very recently—as customers needed the assistance of a customer service representative to get any issue resolved, representatives were good proxies for the customer. We disagree with this viewpoint, and assert that successful

companies have *always* focused on their end-customers' needs and wants, be they for products or for customer service. While they rely on feedback from customer service representatives, they base their systems on customer input. This is especially true in today's changing world, where companies have sophisticated customers who may seek customer service through many different channels, even self-help. In many ways this parallels the evolution of the thinking at many technology vendors. In the early days they deemed it sufficient to offer any technology as long as it offered the basic functionality required by customers. Then, as customers got more sophisticated and competition increased, they realized that customer facing factors were critical to their long-term success. This is when companies started looking at "human factors" and "ease-of-use," and developed approaches to make their products "user-friendly."

Like your products, your customer service delivery systems should be easy to use and user-friendly. Indeed, customer service systems should be designed and developed like the high-impact projects they are, and given the full thought and rigor they deserve. Customer Centered Service provides that discipline through its five principles:

1. Set business goals for customer service
2. Understand user requirements
3. Design the customer service experience
4. Select technology and implement the design
5. Measure, understand, and adapt

Customer Service Business Goals

Customer service is often viewed as an afterthought. Many companies are guilty of building a product or service without any consideration of how they will deliver support and service to their customers once they go to market. Introducing customer service requirements into your product design and development process will give you enormous returns when you release your products and customers start using them. If you make computer products, then descriptive error messages with troubleshooting suggestions can significantly reduce the number of service calls you receive. Complete, accurate, and easy-to-use documentation can have the same effect. Your biggest leverage will come from designing and building your products to be supportable and serviceable.

Having said that, your customer service organization exists to handle inquiries and issues from your customer base. But what exactly are the objectives of this organization? Do you have a customer service organization simply because all your competitors have one? Or is it because your customers expect some service on the products they have purchased, and you realize that someone in your company has to do it? Who, in your company, is responsible for customer loyalty and referenceability?

Surely your customer service organization is the primary group tasked with customer retention and referenceability? You may assume that everyone in the company is "customer-focused," but in the end you look to the customer service organization to keep your customers loyal and profitable. So set clear and measurable goals for your customer service organization for customer loyalty and

referenceability—this is the first principle of Customer Centered Service. Many companies will say that the customer service organization “increases customer satisfaction.” But satisfaction is not an end in itself; aim for loyalty and referenceability and revenues from customers.

The next step is to determine what your investment should be in the customer service organization overall, and in customer service technology in particular. How much can you afford to invest in customer service? Is it consistent with the investments you are making in other parts of your company? A simple way to look at the investment is to estimate how much of your new business will come from the existing customer base and the margins associated with that “loyalty” business. To it add some investments you will make for referenceability. We see investments in customer service organizations varying anywhere from 20% of total revenues invested by service-oriented companies that are very focused on customer loyalty and referenceability to 5% of revenues by companies that rely primarily on a product differentiation strategy and growth from new customers.

Customer Requirements

We alluded earlier to companies that implement customer service delivery systems without taking into account what their customers want and need. This can result in a system that is technically superior, but irrelevant to customers. Customers, when they come in contact with such a system, are frustrated that they have to “jump through hoops” to get what they need from your company. If this goes on long enough, customers will leave for other companies that know their customers better. The second principle of Customer Centered Service is: You must understand and deliver on the service needs of your customer base.

This is not hard. The best way to do it is to talk to the people who are or will be actually using the customer service organization: your customers. If you’re setting up a new customer service organization, ask prospects about the kind of service they’d like to receive. If you already have a customer service system, take a look at interactions your customers have had with you and see if there your customers are telling you something by the frequency and nature of their interactions. Select some customers at random and ask them questions about their experiences with your company. If you are introducing a new product, select similar existing products and poll the users of those products.

This should give you enough information to see if your customers fall into different segments and to identify requirements specific to each segment. You should have information such as:

- Do you have customers who want to serve themselves, and not interact with a customer service representative at all?
- Are there others who want a live interaction for every service transaction?
- Do your customers want some kind of personalization, so they can track all their service interactions with you?
- How sophisticated is your customer base? How many of them use the Internet to communicate with you?

- Are they willing to make purchases through your Web site?
- How much bandwidth do they have on their Internet connections?
- Are most transactions relatively simple, like an order lookup, or do they tend to be complex, like technical questions about the workings of one of your products?

At the end of this information-gathering exercise you should have a good understanding of your customers, what they want, and how they want to interact with your company.

Service Experience

We talked about how some companies can end up with a technically superior system that is irrelevant to customer needs. When designing a customer service delivery system you must account not only for the technology and the relevance of the system to customer needs, but also the kind of service experience you want your customer to have. After all, even if you have the best technology and the most relevant service system, if your customers don't feel good after using the system you've not made much progress. Thus, the third principle of Customer Centered Service: Design for the service experience you want to engender.

What exactly do we mean by "service experience"? The best way to think of service experience is to imagine how you want customers to feel during and after service interactions. Do you want your customers to think, "That was easy, I really like doing business with this company," or do you want them to think, "Getting service is like pulling teeth." Since you're reading this paper we're sure you want the former. Some companies do an excellent job in delivering a positive service experience. Their customers feel they receive value out of every service transaction, and begin to count on the service organization of the company. This is the kind of service experience you want to deliver—after all, every service interaction is an opportunity to improve your standing with your customers.

Some factors that enhance the service experience, independent of the delivery channel, include:

- **Responsiveness**—how quickly the customer is able to get the service needed. In a self-service situation over the Internet, responsiveness manifests itself in a well laid out, easy-to-navigate Web site with superior performance. In a telephone service situation, it means that hold times are low, navigation menus are few and brief. When customers want service they want it fast!
- **Effectiveness**—getting the service need addressed with a minimum number of interactions (ideally one) in the channel of choice. Thus, a customer seeking self-service over the Internet should be able to easily get that service, be it a knowledge-base search or a sales transaction, without having to complete the transaction by interacting with your customer service representatives, and without having to switch to using a telephone. Similarly, in a telephone service environment, your customer service representatives should have enough knowledge at their fingertips to quickly and completely satisfy customer service needs.

- **Personalization**—recognizing who is requesting the service, and satisfying the service need in a manner that shows you know that. In a Web support scenario you may create personalized pages for each of your customers, recognize where they were when they requested service, and give them content relevant to what you expect the service need will be. You can also give them the opportunity to look at new offerings similar to past purchases.

Remember, regardless of the channel over which you deliver service to your customer, you are projecting a brand and an image. To be sure these are intangibles, but crafting a positive service experience has high leverage in terms of loyalty and profitability.

Technology Considerations

The fourth principle of Customer Centered Service is: Select and use appropriate technology to implement the customer service system you have designed. By now you have a clear understanding of what you want to do for your customers. It is important that you implement technology only after you know your goals, and have a design and a plan. Not all companies are the same, and certainly not all customers are the same. Your company has specific needs. Whatever technology you select must be able to address those needs. And you can be sure that the demands placed on the customer service system will change frequently and rapidly. Accordingly, the two key attributes of any technology you select are: it should be easy to implement and change, and you should be able to customize it to suit your company and customer base. Flexibility is important!

Beyond that, there are some functional considerations. Our experience is that well-designed and implemented customer service systems offer customers a consistent and appropriate service experience across all interaction channels. In other words, you need technologies that enable you to offer email, chat, self-service, and telephone interactions that are similar in quality and content. Such systems are called Enterprise Interaction Management systems. For more detail on such systems, take a look at the eGain white paper entitled *Interactions: The Foundation of Business Relationships*.

These interaction systems, obviously, have a component to manage individual service interactions with your customers. Two other functions they include are:

- A strong and robust knowledge management system that allows you to create, organize and disseminate service related knowledge. This is needed to enhance not only self-service, but also to ensure that the same content is available across all interaction channels.
- A simple yet powerful capability to integrate with other systems you have in your enterprise, so-called “legacy integration.” This ensures that all the information needed to satisfy a customer service request is readily available to the customer or the customer service representative.

Another important technology consideration is, of course, the technical architecture of the system. As we mentioned earlier, customers want fast responses and if your system cannot scale up under heavy loads then you have a potential issue. Similarly, you want your customer service system to be highly reliable, so that you can be sure your customers will be able to get service when they want it.

Well-designed customer service systems rely on proven technology and are benchmarked for scalability and reliability to show how they perform under pressure.

Measurement and Analysis

The fifth and final principle of Customer Centered Service is: You must constantly measure, analyze and adapt your customer service delivery performance. Customer preferences evolve in unexpected ways. In these days of rapid change, it is easy to miss shifts unless you have a rigorous measurement system in place, and frequent analysis of those measurements. This analysis can give you invaluable insights into customer behavior as well as advance notice of changes in behavior.

One of the biggest advantages of using advanced technology to deliver customer service is that you very quickly develop a comprehensive record of every service interaction you have with your customers. You have visibility into what their service issues are, how they interact with you, which channels they prefer to use for customer service, how each service issue was resolved, and so on. This is a vast amount of information that can be very valuable if used appropriately.

This information is even more valuable when it is combined with customer information that is stored in your legacy systems. Not only do you have a record of service interactions, you also know how much each customer has purchased from you, what products they have purchased, how profitable each sale was, how long it took to make each sale, and so on.

A good customer service system will give you the ability to combine data from disparate sources, and glean so-called “business intelligence” from this data. This intelligence can then be used to improve not only your products but also redesign your customer service delivery to enhance loyalty and customer referenceability.

Conclusion

Customer Centered Service is an exciting and important new approach to delivering customer service. It is an approach that focuses on customers and their service needs. We believe that Customer Centered Service is critical to developing and sustaining a long-term and profitable relationship with customers.

About eGain Communications

eGain (OTC: EGAN.OB) is a leading provider of Enterprise Interaction Management (EIM) software for the Internet. Selected by 24 of the 50 largest global companies to transform their traditional call centers into multi-channel eservice networks, eGain solutions measurably improve operational efficiency and customer retention—thus delivering a significant return on investment. eGain's best-in-class application suite includes email management, web collaboration and self-service, and a scalable enterprise-wide knowledge management solution.

Headquartered in Mountain View, CA, eGain has an operating presence in 18 countries and serves over 800 enterprise customers on a worldwide basis—including AOL, Charles Schwab and Verizon. To find out how eGain can help you gain customers and sustain relationships, please visit www.egain.com.

Contact Information

eGain Communications Corporation

345 East Middlefield Road

Mountain View, CA 94043

Telephone: (650) 230-7500 or (888) 603-4246 (Toll free)

Fax: (650) 230-7500

Email: www.egain.com

© 1997-2001 eGain Communications Corporation. All rights reserved.