THE PELORUS GROUP

METRICS THAT MATTER

Proactively Boost Performance and Improve the Customer Experience

Authored by
Richard Bucci
Associate Consultant, The PELORUS Group

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Metrics that Matter

Now more than ever, contact center managers need to be more proactive in helping their organizations accomplish strategic and tactical goals. The stakes are much higher today. Over 60 percent of the economy is comprised of service-oriented organizations. Banks, insurance companies, telecom service providers, utilities, government agencies and nonprofit organizations have limited latitude to compete on pricing, and new services are quickly emulated by competitors. The choice of service provider often comes down to quality of service – and that's where the customer service representatives – the front line troops – can make a big difference. A recent market research survey found that 45 percent of executives view the contact center as a "critical" part of their company's product and customer strategy.

In order to successfully achieve strategic and tactical goals it is crucial to understand and focus upon the metrics that really matter. The modern contact center is awash in numbers. With so much data available there is a tendency to rely upon the tried and true metrics that every contact center tracks – perhaps more out of habit than as a result of the calculated assessment of their value. The first thing to take into consideration should always be "how do these metrics – or more precisely, how do the activities they measure - contribute to achieving the overall goals of the enterprise?" Jonathan Becher, CEO of Pilot Software said, "Until you articulate the strategic objectives, you can't know what the metrics [should be]. Too often, people create the metrics [simply] because they can."

Successful contact center managers know and understand the tactical and strategic goals of their organization They develop measuring sticks that show they are making progress and utilize proactive technologies that enable them to actively identify and optimize rather than wait and react.

Goal Setting in the Enterprise

The goals of large business are typically expressed in formal business plans. Senior management states them in both quantitative and qualitative terms. Quantitative or numeric goals refer to desired sales levels, expenses as a percent of sales, cash flow, market share, market valuation and profitability. Qualitative goals are expressed in more general terms, such as "be a good corporate citizen," "build a loyal and motivated work force," "provides world class services," or simply "delight our customers."

Individual departments or strategic business units establish action plans to achieve the broader strategic goal plan. To ensure that the contact center collects and reports Metrics that Matter it is essential to understand broad corporate goals and the resultant goals and action plans of the department that includes the contact center. From there, specific contact center goals and individual goals can be established. Every individual should know the organization's goals, but sometimes that doesn't happen, especially in very large organizations where the information doesn't always filter down and in privately owned businesses, where they may not be expressed in writing. Nonetheless, you need to know, in very pragmatic terms, what the organization is trying to accomplish. Suggested methods include reviewing the written business plan, if there is one, reading the latest 10-K filing and annual report if you work for a public traded company, and having a heart-to-heart talk with the Vice President responsible for the contact center function. The important thing is to start from the top and work down. This process may validate that the Key Performance Indicators (KPIs) and evaluation forms used by your contact center are already well-aligned with the needs of the organization.

It may also mean that you could be using metrics that are far removed from the end goals. For example, if you are in collections, sales, or product support environment, how important (really) is average handle time (AHT)? Maybe average revenue per contact, or debt recovered, or first contact resolution is much more meaningful. In many environments contact centers are expected to generate revenue, either by closing new business or reducing the number of customers that defect to competitors. From the company's standpoint, stemming customer defections is far more cost effective than attracting new customers, by a factor of ten to one.

What Are Metrics that Matter?

Traditional, or first generation, metrics have been around since the invention of the automatic call distributor in the 1970s. They include service level, answer time, adherence, occupancy, abandonment rate, queue time and about 100 others. First generation metrics have very specific meanings and for the most part are calculated in the same way. They can be charted over time and benchmarked against peer groups. They are automatically churned out, which makes them very comfortable to rely on.

The difficulty with first generation metrics is that they speak to processes rather than outcomes. This leads to management by and for the numbers, even if they bear little or no relationship to the goals of the enterprise. There are the often-cited examples of contact center managers simply disconnecting calls after hold time or handle time exceeds threshold. In one case, a very large contact center was more concerned with maintaining its certification status than pleasing customers. To make sure adherence levels complied with certification requirements, agents were instructed to log off the ACD when they were not busy taking calls and then log back on when the queue built up. Adherence looked great, at 93 percent. But the effect was to waste resources and to extend answer time when there was plenty of capacity to take calls more quickly. The old adage about what gets measured gets managed is alive and well in the contact center industry.

New or second generation metrics differ from traditional KPIs in several ways:

- They are closely aligned with corporate goals.
- They measure both efficiency and effectiveness.
- They recognize that customers interact with the contact center through multiple channels.
- They are derived from multiple enterprise information systems and data bases.
- Traditional metrics are always numbers. New metrics may not be numbers at all, but a collection of

insights and deep analysis that help management understand customer needs and behaviors.

This is not to suggest that first generation metrics are no longer relevant in today's multi-function, multi-skilled, multi-channel contact center. Certainly, cost control and productivity improvement are as important today as ever. But the point is that with today's technology proactive managers can go a lot further in developing Metrics that Matter.

New metrics can be organized into three categories; contribution metrics, customer delight metrics, and business intelligence.

Contribution Metrics

Contribution metrics relate to how the contact center directly supports the financial goals of the organization. Measurements include revenue, costs/profitability, and investments. Contribution metrics are used to reward contact center personnel and help management determine the financial impact of the contact center.

Examples of revenue metrics include:

- Customer lifetime value
- Revenue per call
- Revenue per agent
- Cross-sell attempts
- Up-sell attempts
- Average order size
- Conversion rate
- Revenue per customer
- Collections per call
- Incentive payments
- Customer saves
- Customer retention

None of this information resides in the ACD. Tracking contribution requires ingenuity and superior technology. Cross-sell and up sell attempts can be measured through speech analytics software or entered by the agent on the CRM system.

Examples of cost/profitability metrics include:

- Cost per contact per channel
- Cost per agent
- Cost per minute for voice and data communications
- Cost of service level agreements
- Agent retention rate
- Cost of recruiting a new agent
- Cost of training a new agent
- Allocation for software and hardware infrastructure
- Hourly costs (labor and benefits) for agents, quality assurance, trainers, and supervisors
- Cost of dedicated IT support
- Annual cost of software upgrades and additions (if not covered under SLA)

Your reporting systems must integrate with the information systems of other functions like human resources, payroll, cost accounting, and the IT department.

Chastened by unfilled promises of first generation CRM systems, chief financial officers are increasingly demanding a financial analysis prior to approving contact center investments. ROI (Return on Investment) is an often used and often misused metric for estimating the financial benefit of contact center investments. You need to be able to explain the numbers. This requires an understanding of all the costs and savings related to the investment. With its wealth of data, the contact center is better positioned than any other organization in the enterprise to accurately measure the financial impact of investments in new technology or new business processes.

Making the Business Case

Let's say you want to replace your current proprietary, inflexible, weakly integrated, and hard to use interaction recording and Workforce Management (WFM) systems with an integrated solution that sports open-architecture, VoIP-compatibility, and a tightly woven solution set that includes performance management, analytics, and auto-surveys. You know your current systems can't do what you want without costly upgrades and multiple user interfaces. Sounds like an opportunity with great potential to you, but how do you convince the CFO? Your capital request must be weighed against others whose sponsors are equally convinced that their proposal is a "must have." You need to make a solid "dollars and cents" business case that stands head and shoulder above the rest. Fortunately, contact centers have an "unfair" advantage. It's called metrics. No other business function is as precisely and as frequently measured as the contact center. But do you have the right data? If you do, it is challenging but doable to list all the monetary benefits of the proposed investment and attach numbers (sometimes estimated) to each of them. Financial benefits come in three flavors; direct cost savings, increased revenues, and risk-avoidance.

Cost savings may accrue from reduced labor requirements, the ability to use lower cost people (like home-based agents or outsourcers), reduced administration costs, lower internal IT support costs, higher utilization of telecom services, reduced analysis and reporting costs, and faster reaction time to problems. You can increase revenues by increasing retention (remember, it costs five to ten times as much to replace a customer as to keep the one you already have), by more effective up-sells and cross-sells, and by providing better service than your company's competitors – thereby attracting new customers. Risk avoidance is a little harder to quantify, but nothing catches the CFO's attention like technology that assures compliance and prevents frivolous law suits. Compliance is costing American companies millions - Borland Software Corp.'s CFO expects to spend $3 million annually on Sarbanes-Oxley compliance alone. Models prepared by this author have shown verifiable ROIs in excess of 30 percent for contact center investments. Anything above your company's cost of capital – typically 8 – 12 percent will get someone's attention.

Customer Delight Metrics

Customer delight is the desired outcome of your contact center operations.

- Satisfied customers are the goal of every organization.
- Customers that are extremely satisfied – even delighted – with service quality are not only more loyal but will often pay a premium to receive markedly superior service.
- Satisfied customers are good ambassadors - highly satisfied customers will tell five others about your great service (highly dissatisfied customers will tell nine others).

Many contact centers infer customer delight based on call monitoring, performance against metrics that are assumed to impact customer satisfaction, or the number of complaint calls. This approach is flawed. Quality assurance covers less than 4 percent of customer interactions and cannot be statistically relied on as a gauge for true satisfaction levels. Only one metric, first contact resolution, has ever been proved to have a direct positive impact on customer delight,. Finally, only four percent of unhappy customers will actually complain. They just take their business to your competitor.

It is important to draw a distinction between customer delight and customer satisfaction. Satisfaction alone is a pretty modest target. Customers expect to be satisfied. They don't expect to be delighted and when they are they tend to stick around longer and tell their friends.

Customer delight metrics include:

- Top box customer satisfaction
- Top box agent satisfaction
- First call resolution
- Average time to answer
- Abandonment rate

To deliver memorable customer service, agents need to have complete and up-to-date information about each caller as soon as they answer the call. The technology exists today to measure customer satisfaction in real-time and even track back to specific agents. Leading contact centers are deploying real-time customer feedback systems tied into performance management software designed to notify the appropriate managers and agents of poor customer experiences, enabling them to proactively respond to and save customers.

Business Intelligence Metrics

Companies are spending billions on gathering business intelligence. The idea is to collect and interpret the myriad of data points generated by businesses everyday to find better ways of doing things. But these systems work only with textual and numeric data. In the contact center you have the greatest reservoir of business intelligence in the company – the actual voices of the customer. Too often, we use this data only to evaluate agent performance. As a consequence, only one to four percent of these calls are actually recorded for QM purposes and this data is analyzed on the basis of how the calls were managed rather than what was actually said. There is, however, a very simple solution to this missed opportunity – record and analyze all the interactions! Storage costs are way down and many recording system vendors provide advanced interrogation tools that allow you dive into this treasure trove by searching for key words and phrases. There are also speech analytics solutions that offer unstructured audio content mining of topics and correlations between them, allowing you to uncover critical information without any initial hint of what to look for – determine why your customers are calling you.

The contact center is the organization's listening post. Every day agents learn about potential quality problems, service complaints, competitive actions, local laws and regulations, the success of promotional campaigns, new product applications, and ideas for new services and products.

Examples of the information that could be included in these reports are:

- Trend charts for selected KPIs
- Summaries of revenue and profit contributions
- Competitive actions
- Campaign effectiveness
- Root causes of customer defections
- Customer satisfaction trends
- Significant customer saves
- Star performers
- Status report on contact center initiatives
- Audio files of selected customer calls

According to the Incoming Calls Management Institute, less than half of contact centers share customer insights with other departments in the enterprise. Large companies typically spend a million dollars or more conducting market research to get the pulse of the customer. Contact centers already have much of that information – and it's even stored in the customer's own voice! Managers should be proactive in championing their function and its contribution to enterprise objectives, especially since the technology is available to provide for this at a lower cost to the enterprise.

The Fewer the Better

It has been said that the famed investor Warren Buffet could assess the investment potential of a company on fewer than twenty metrics. Does it really take a lot more than that to measure and evaluate the performance of the contact center? The issue is not the number of KPIs, but rather their relevance to achieving the goals of the organization. The challenge is defining what these metrics are (operationally, so they can be calculated from the data you have access to) and then securing the information. For example, in banking environments, CSRs normally do not have the authority to open accounts or originate loans. They can, however, use up-sell and cross-sell techniques to develop solid leads that can then be referred to the appropriate individual or department. Your CRM or sales automation may already have lead tracking capability, but is it enabled and do agents have access to it?

Senior managers often bemoan the reports generated by contact centers. They see reams of statistics about service levels, adherence, AHT, call handled, etc., but nothing in these reports tells them precisely:

- Did we retain or gain any new customers?
- Did we delight our customers?
- Have we increased loyalty or retention?
- Are our operating costs on target?
- Did we gain any new insights that will help us stay ahead of the competition?

You Can Do It

The data to answer these questions exists somewhere in the organization. However, it may be on a separate system or use a database program foreign to your CRM. Performance management software has the capability to collect and harmonize this data in a central data mart where it can be sliced and diced from your current recording, workforce management, or other applications to develop the metrics you need to produce measurements that align directly with the goals of your organization, department and contact center.

Don't be afraid to come up with your own unique metrics. T-Mobile, the giant wireless carrier, integrates with their billing system to track agent close rates and retention levels. They also track customer and agent satisfaction through periodic surveys and focus groups. Colonial Penn, a large insurer, tracks conversion rates and up-sells. Roxio, a division of Sonic Solutions, is the world's leading provider of consumer digital media creation applications. For them, customer delight is the most important metric. They track average handle time but don't give it a lot of weight in agent evaluations. The goal is to please the customer – even it takes a little longer.

One of the essentials to collecting Metrics that Matter is having the applications to do it. Your ACD, IVR, CRM, interaction recording, workforce management, analytics, agent coaching and other contact center support

systems must play nice with each other.

When they don't (which is normally the case) performance management software adds the layer of connectivity needed to pull your internal systems together into a central data mart while at the same time extracting necessary information form sales, billing, human resources, technical support, and other resources you need to construct metrics that do not come out of ACDs

There are various suites of Workforce Optimization solutions available today. However, technologies that are proactive by nature are being increasingly implemented to monitor, measure, and improve contact center metrics. By delivering an advanced degree of automation and leveraging the inherent advantages of real time intelligence, these solutions can help organizations to maintain a competitive edge and secure long-term growth.

The Workforce Optimization Suite

Performance management is just one of the applications that have come to be known collectively as the workforce optimization suite. The full suite includes:

Interaction recording – to perform quality monitoring and 100% recording for compliance and data mining.

Workforce management software - to make sure that the contact center always has sufficient staff to achieve meet or exceed service levels but not excess personnel that add costs without a commensurate improvement in service.

Performance management software – to collect the data you need to construct new metrics and deliver these metrics in real time to anyone in the organization that has the need and the authority to see the information.

Customer surveying – while there is broad acceptance of the notion that delighting (not just "satisfying") callers is a key goal of the contact center surprisingly few centers have a mechanism in place to capture customer satisfaction on an ongoing basis.

Speech analytics – to quickly digest the vast archives of recorded interactions and find those valued nuggets that tell you why people are calling, why they are happy or unhappy, and what is going on out there management needs to know about – now.

Learning and coaching – knowing how you are performing against the strategic goals of the enterprise and the tactical goals of the contact center, and why things may be straying off course is very valuable. But the real point of the matter is what to do about it. Often this comes down to educating and motivating agents. Learning and coaching software augments the one-on-one coaching provided by experienced supervisors and provides them with more time to spend with the people that most need their help.

Together these applications empower organizations to be proactive – to actively identify, intervene, and optimize rather then wait and react.

Summary

Developing and reporting metrics that are closely aligned with corporate goals is more than the catch phrase of the day. Too many contact centers get downsized or outsourced or inadequately compensated, not because they don't do a good job, but because (a) they do the wrong job, or (b) do the right job but keep it a secret. Choosing metrics that matter helps ensure you are doing what management wants. Being proactive means creating reports and making presentations that talk to the heart of the matter. This tells management that the contact center plays a pivotal role in the success of the enterprise and that you get it.

The result will be more meaningful agent evaluations, closer coordination with other departments, justification of your investments, higher morale, and greater visibility and respect among all levels of your organization.

About the Author

Richard Bucci is Associate Consultant for The PELORUS Group (www.Pelorus-Group.com) where he specializes in contact center technologies. He has authored in-depth reports on interactive voice response, workforce management, and quality monitoring. Richard's articles and observations have been published in CRM Today, Contact Center World, Communications Convergence, CRM Magazine, Call Center Magazine, Contact Professional, Call Center News, Speech Technology, Workforce Performance Solutions, and several other trade and business publications.

About The PELORUS Group

Founded in 1987, The PELORUS Group has emerged as one of the fastest growing independent market research and consultancy companies in the financial services and telecommunications industries. The PELORUS Group produces authoritative analysis and research reports, provides custom business planning services, and offers timely industry conferences.

About VPI

VPI (Voice Print International) is a leading innovator and provider of integrated call recording and workforce optimization solutions for enterprises, trading floors, government agencies, and first responders. Through its award-winning suite of solutions, VPI empowers organizations to proactively improve the customer experience, increase workforce performance, ensure compliance, and align tactical and strategic objectives across the enterprise. With the power to be proactive, organizations are equipped to actively identify and maximize opportunities and minimize risk. VPI solutions are designed with reliability, adaptability, and expandability in mind to accommodate changing technologies, customer needs and legislation. For more than a decade, VPI has been providing proven technology and superior service to more than 1,000 customers in over 25 countries. This dedication and commitment to excellence has resulted in an unmatched customer loyalty rate of over 90 percent. Learn more at www.VPI-Corp.com or call 1-800-200-5430.