EXAMINING THE MYTHS AND COSTS OF AGENT DISENGAGEMENT, PART 3

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EXAMINING THE MYTHS AND COSTS OF AGENT DISENGAGEMENT, PART 3

Strategies for getting CFO investment in boosting agent engagement.

BY John Goodman, Customer Care Measurement and Consulting LLC

In part two of this three-part series, we talked about investment in tools, training and career ladders for agents. How do you justify the investment to the CFO? There are five steps that lead to successful justification:

- Quantify the value of the customer.
- Estimate the number of customers encountering poor experiences at the moment and the impact on loyalty and word-of-mouth (WOM).
- Estimate the revenue damage of the current situation.
- Estimate the revenue payoff of enhanced experience due to problem prevention, better access and engaged agents (to impress your chief financial officer).
- Quantify the impact of enhanced service on word-of-mouth (to impress your chief marketing officer).
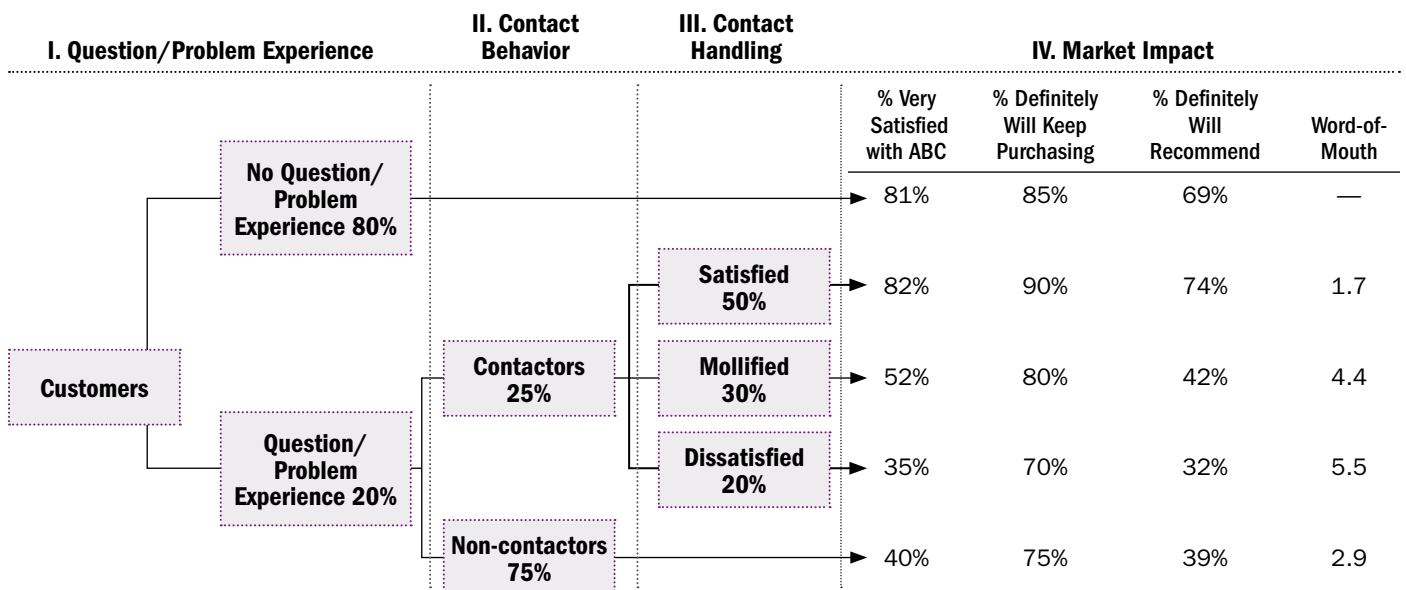
Each of these is briefly described below:

1 QUANTIFY THE VALUE OF THE CUSTOMER

The value of the customer is critical because, if you do not know how much your customer is worth, you cannot make a rational decision as to what to invest to retain them or make them happy. The traditional approach over the last decade has been to estimate the lifetime value of the customer based on a discounted cash flow of the profits from the average customer. We find that this number is too large and not credible to the finance department because of the uncertainties of the current business environment. To quote more than one CFO: "Who knows if we'll even be in this business in five years?" Therefore, a better approach is

FIGURE 1: Customer Behavior Found in a B2B Services Environment

I. Question/Problem Experience	II. Contact Behavior	III. Contact Handling	% Very Satisfied with ABC	% Definitely Will Keep Purchasing	% Definitely Will Recommend	Word-of-Mouth
No Question/Problem Experience 80%			81%	85%	69%	—
	Contactors 25%	Satisfied 50%	82%	90%	74%	1.7
		Mollified 30%	52%	80%	42%	4.4
Customers / Question/Problem Experience 20%		Dissatisfied 20%	35%	70%	32%	5.5
	Non-contactors 75%		40%	75%	39%	2.9

to estimate a conservative gross contribution or revenue value of a customer over one to two years and use that estimate.

2 UNDERSTAND THE NUMBER OF CUSTOMERS AFFECTED BY DISENGAGED AGENTS OR OTHER SERVICE PROBLEMS

FIGURE 1 portrays customer behavior found in a business-to-business services environment. It is presented as an example that is generally indicative of a B2B market, but should not be used as is without some level of verification. Ideally, you should interview a random sample of 100 to 1,000 of your customers to determine how many have had serious problems, how many have complained, and their resulting satisfaction, loyalty and word-of-mouth.

In the Figure 1 example, 20% of customers have a serious problem, and 25% of those customers complain. In this case, if their complaint is completely satisfied, they are more loyal (90% definitely will keep buying) than if they had no problem at all. On the other hand, if they are only mollified or left completely dissatisfied, loyalty is damaged and they spread significant volumes of negative word-of-mouth (the mollified tell 3 people and the completely dissatisfied tell 5.5 people).

3 ESTIMATE THE DAMAGE OF THE CURRENT EXPERIENCE IN TERMS OF REVENUE AT RISK

FIGURE 2 illustrates how to estimate the revenue left on the table by less than perfect service and quality. In this example, where 20% of a customer base of 1 million (or 200,000 customers) encounter problems, an average of 25% will contact someone for assistance (25% requesting assistance is highly optimistic—in most cases, only 5% to 10% complain).

Of those who request assistance, only 50% are completely satisfied (top box). Those who are not completely satisfied can be mollified—somewhat happy. Finally, we find that those who do not even ask for assistance also have a significant drop in loyalty.

In this example, the company is leaving $50 million on the table due to a less than perfect customer experience.

There are three parameters that affect the customer experience and total revenue at risk due to problems and how they are handled. These are:

▸ Total customers with problems
▸ The percentage that complain and/or use the service system
▸ The percentage that are completely satisfied by the service system

The CFO can clearly see the linkage between problems and revenue at risk. When they analyze the number of customers at risk due to each outcome, executives are often shocked to see that the greatest number of customers at risk are among those who never requested assistance.

I usually have CFOs suggesting multiple approaches to soliciting complaints such as signs and messages like, "We can only solve problems we know about!" One travel and leisure CFO said, "For each dollar invested in complaint handling, we make seven dollars in incremental revenue."
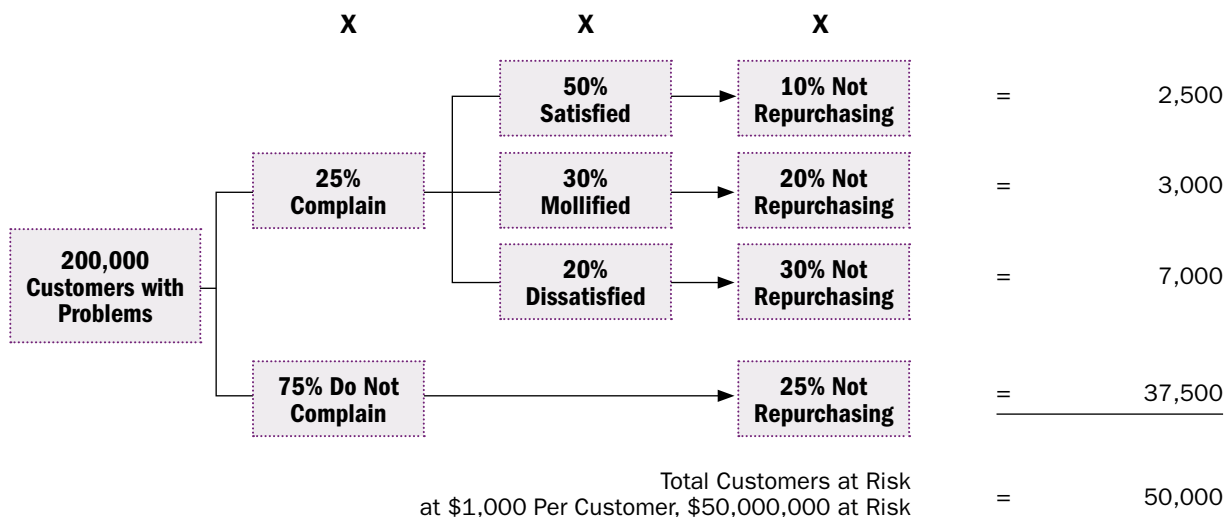
4 ESTIMATE THE REVENUE PAYOFF OF PROBLEM PREVENTION, GETTING CUSTOMERS TO CALL YOU, AND EMPOWERING AGENTS TO GIVE ENHANCED RESPONSES

Once you have quantified the revenue at risk due to the current situation, you are now in

FIGURE 2: How to Estimate Revenue Left on the Table by Less than Perfect Service and Quality

Demonstrating Financial Impact with the CFO and CMO

	X	X	X		
		50% Satisfied	10% Not Repurchasing	=	2,500
	25% Complain	30% Mollified	20% Not Repurchasing	=	3,000
200,000 Customers with Problems		20% Dissatisfied	30% Not Repurchasing	=	7,000
	75% Do Not Complain		25% Not Repurchasing	=	37,500
Total Customers at Risk at $1,000 Per Customer, $50,000,000 at Risk				=	50,000

a position to show how investment in the service and problem prevention process will have a huge payoff. As you develop this analysis, you should negotiate the business case assumptions with finance and marketing to be sure you have their buy-in. Finance must provide the value of the average customer and estimates of margins.

There are three strategies that a company can use to improve the current situation:

- ▸ Problem prevention
- ▸ Getting customers to report the problems so they can be resolved
- ▸ Enhancing the resolution process via engaged, empowered agents

TABLE 1 shows how improvements in each of the three parameters can impact the bottom line and the revenue left on the table. The table shows that increasing complaint rates does add some payoff ($1.2 million), but the payoff is attenuated by the current low problem-resolution rates. (There will also be an increase in the cost of handling the issues—not shown here). Improving agent empowerment and engagement impacts the resolution rates significantly, increasing revenue retention by $5.5 million.

The greatest payoff ($15.5 million) comes from preventing problems. We find that prevention is always the biggest bargain, which is why proactive customer education to prevent unpleasant surprises and a sophisticated voice of the customer plan always provide at least a 500% ROI. Furthermore, finance and marketing can see that investments in two counterintuitive strategies actually can have big payoff—proactive problem prevention and soliciting more calls. It becomes obvious that getting calls from unhappy customers will always have a positive payoff—though prevention is still the best approach.
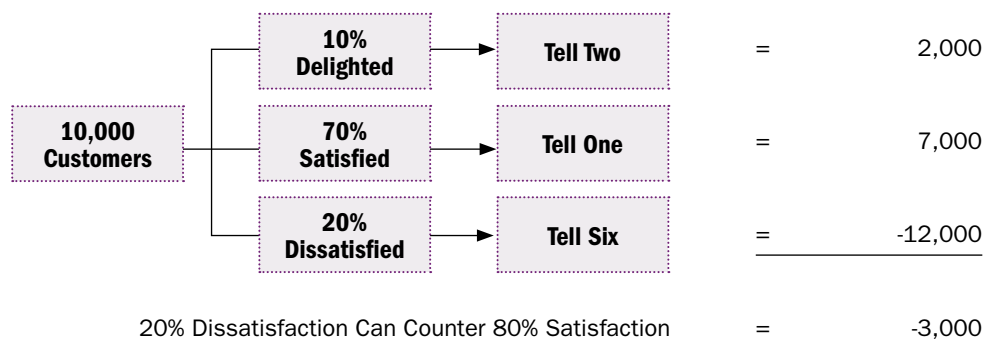
5 **ESTIMATE THE IMPACT OF IMPROVED SERVICE ON WORD-OF-MOUTH**
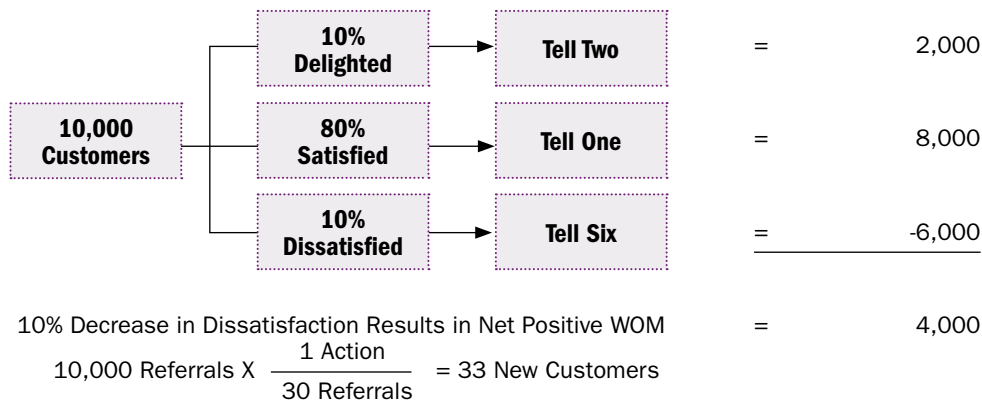Marketing should first be asked if word-of-mouth is important

TABLE 1: Calculating the Revenue Impact of Prevention, Enhanced Access and Engaged Agents

Customer Experience Improvement	Status Quo	Improve Complaint Rate to 40%	Improve Response Effectiveness to 70%	Reduce Problems by 25% to 160,000
Customers with Problems	200,000	200,000	200,000	160,000
Complaint Rate	25%	40%	25%	25%
Complete Satisfaction Rate	50%	50%	70%	50%
Total Customers at Risk	50,000	48,800	44,500	34,500
Total Revenue at Risk	$50,000,000	$48,800,000	$44,500,000	$34,500,000
Topline Impact of Improvement		$1,200,000	$5,500,000	$15,500,000

Figure 3: Potential Impact for a Service System that Interacts with 10,000 Customers/Week

10,000 Customers	10% Delighted	Tell Two	=	2,000
	70% Satisfied	Tell One	=	7,000
	20% Dissatisfied	Tell Six	=	-12,000

20% Dissatisfaction Can Counter 80% Satisfaction = -3,000

FIGURE 4: Impact of 10% Decrease in Dissatisfaction

	10% Delighted	→	**Tell Two**	= 2,000
10,000 Customers	**80% Satisfied**	→	**Tell One**	= 8,000
	10% Dissatisfied	→	**Tell Six**	= -6,000

10% Decrease in Dissatisfaction Results in Net Positive WOM = 4,000

$$10,000 \text{ Referrals} \times \frac{1 \text{ Action}}{30 \text{ Referrals}} = 33 \text{ New Customers}$$

and, if so, how important. Almost all executives will agree it is important and that service interactions are critical to word-of-mouth. Great WOM is the cheapest source of new customers—your existing customers do your marketing for you. The first step is to ask your CMO a few questions:

▸ What percentage of new customers comes from personal referrals?

▸ How much does it cost to win a new customer via the traditional sales process?

▸ Is he/she measuring the customers won via WOM?

▸ Would WOM management make sense as a strategy?

For the first question, the smallest number I've ever heard was 20%, and in many companies it is as high as 70% or 75%. At Chick-fil-A, marketing talks about new customers being dragged in by existing customers, saying, "You have to try this!"

The second step is to get the CMO to understand that every interaction with customers creates some word-of-mouth—the only questions are: Is the WOM positive or negative, and how large is the magnitude of the WOM? **FIGURE 3** illustrates what the impact could be for a service system that interacts with 10,000 customers a week. Even if you are satisfying 70% and delighting a further 10% of customers, your net stream of word-of-mouth could be negative.

On the other hand, if you shift the 20% dissatisfied to 10%—as shown in **FIGURE 4**—you can see the flow of WOM go positive by several thousand cases.

Further, if only 1 out of every 30 of the 10,000 positive referrals results in a new customer trial, your contact center could be producing over 300 new customers a week by just giving good service. When executives look at these types of data and are asked if they ever considered investment in the contact center to create WOM, they are usually stunned—and guilty that they threw so much into advertising.

Getting Started—First Steps

Remember that agents want to do a good job. If you empower, recognize and provide them with a path forward and input to an improvement process, they will surpass your wildest dreams in terms of performance. The good news is you can start small—better a small success than a big disaster.

1. Ask agents the three most frustrating calls that are either preventable, could be better handled or both. Then take action on one of these issues—get the tools, change the website or enhance their authority as needed. Measure the impact and then feed the results back to the agents and senior management. Your frontline agents are your best process improvement consultants!

2. Challenge every supervisor to catch each agent doing something right every day. Hold a victory session, and invite every agent to spend two minutes bragging about how they successfully handled a challenging issue.

3. Based on agent input, revise one internal process that they have flagged as an unnecessary time-waster—this may include getting

a system tweak to make more information available or giving agents more flexibility in making a decision.

4. Modify your call-monitoring process to add a question about how the customer would evaluate the call and use that as the basis for evaluating the agent.

5. Get CFO support by quantifying the value of the customer and showing the revenue and word-of-mouth damage of no action for another month.

By busting the myths of agent disengagement, taking concrete steps to boost agent engagement, and getting buy-in from the C-suite, businesses can finally start keeping up with customers' rising expectations. ◉

John Goodman is Vice Chairman of Customer Care Measurement & Consulting. He is the author of "Customer Experience 3.0" and "Strategic Customer Service," which is available in Japanese and Spanish. His free e-book, "Selling Service and Quality to the CFO and CMO," is available at bit.ly/1ZnvNGU. (jgoodman@customercaremc.com)

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