

**EFFECTIVE SOLUTIONS
FOR SERVICE OPERATIONS**



**THE NEW ERA OF
SERVICE DIFFERENTIATION**

NOLAN
ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS



SERVICE DIFFERENTIATION FOR A NEW AGE

Competing in the financial services arena has become increasingly difficult.

Market forces and the improved technology capabilities of a few are putting most companies in a reactive mode as they try to keep up with more sophisticated pricing models and attention-getting product enhancements. And even for the leading-edge companies, it is evident that pricing and product advantages are short-lived in this marketplace. So how will a company differentiate itself in the midst of all these challenges?

While some companies point to pricing or products as their differentiator, most of the companies we asked cited service delivery and/or their strong relationships with customers and agents. However, those relationships are easily strained by less-than-acceptable service. Indeed, the true differentiator in those relationships is service. Further, customer-centric service—focusing everything your people, processes, and technology can deliver for the benefit of the customer—is an even more critical differentiator because it is by far the most difficult element for others to copy.

The service challenge is further amplified by the fact that the Baby Boomers, Generation X, and Generation Y are all now significant customer segments. Each generation has its own preferences and expectations regarding customer service interactions. To remain competitive, companies must implement and evolve flexible service models to satisfy these diverse segments.

The Nolan Company has been helping companies improve customer service delivery for over 35 years. We combine deep industry experience and insight with our unique consulting approach to deliver meaningful, sustainable results to our clients.

We have created this special compilation of research, original articles, and case studies to provide you valuable insight on the topic of service improvement and differentiation. As you review the information on the following pages, consider your company's strengths and weaknesses in the areas of service delivery and operational excellence. We would be pleased to discuss your interests and challenges to help better position your organization's service differentiation efforts for the future.



Ben DiSylvester
Chairman

THE ADVENT OF THE AGE OF THE CUSTOMER

This decade, and possibly the next, could well be described by future historians as the era of customer sovereignty. Or perhaps it would be more accurately depicted as the era of customer rebellion or revolt. Customers are demanding more immediacy and transparency in their interactions with customer service. And it goes without saying that they want to deal with knowledgeable professionals who can answer their questions at the point of contact.

Consumers increasingly expect 24/7 electronic access to financial service providers—just like they already receive from utility companies, airlines, and so forth. At the same time, consumers continue to value their agent-based personal service relationships, and as a result, the best agents are thriving. Complicating matters are the growing cultural and language diversity and expanding international presence, both of which intensify the considerations for serving certain market segments. Taken altogether, these complexities present the industry with a challenge: how does a company meet the demands of an increasingly diverse and demanding customer base?

There should be no doubt about the critical importance of the shift in the financial services industry from product- or channel-centric business models to customer-centric ones. Whether dealing with the retired, less technically proficient Silent Generation, the rapidly-approaching-retirement Baby Boomers, the MTV Generation X, or the up-and-coming Generation Y (the “Millennials”), there is a consistent need for personalized service delivered in a convenient and timely manner. And, depending on the markets served, these services might have to be offered in multiple languages.

There is a melding of operations around customized, customer-centric flexibility occurring in the marketplace. Choice is the buzzword of consumers as we approach a new

age of complexity paired with demands for individualized solutions. The company that is able to master customized options (shifting from the current mass-market product chassis to a new, componentized one) will find itself in demand by consumers representing the full spectrum of generations and cultures.

A recent report from London-based market analyst Datamonitor indicates that financial services companies are being forced to rethink their technology strategies due to heightened competition and better-informed, more-demanding customers. The report concludes that in order to remain competitive and profitable, companies must expand beyond the typical core competencies (for example, risk management) and focus instead on customer management. The goal is to identify and grow the profitable customers and minimize the resources spent on the less profitable.

Thus, focusing on the customer and maximizing customer value will also require a strategic change in the way companies look at metrics. While traditional process metrics are necessary for identifying and making operational improvements, a cultural transformation and a new measurement paradigm that focuses on what is truly important to the customer is essential in maximizing the value of each customer interaction.

The financial services industry is witnessing the emergence of a wide disparity in the nature of its consumers, with discrete market niches that each have their own values and interests. Tremendous opportunity can be found there for companies willing to recognize and serve market diversity. Knowing who the customer is and what they expect has never been more important than it is now. Companies can wait no longer to redefine their service strategy and to invest in the people, processes, and technology that meet the demands of true customer-centricity. 🌱



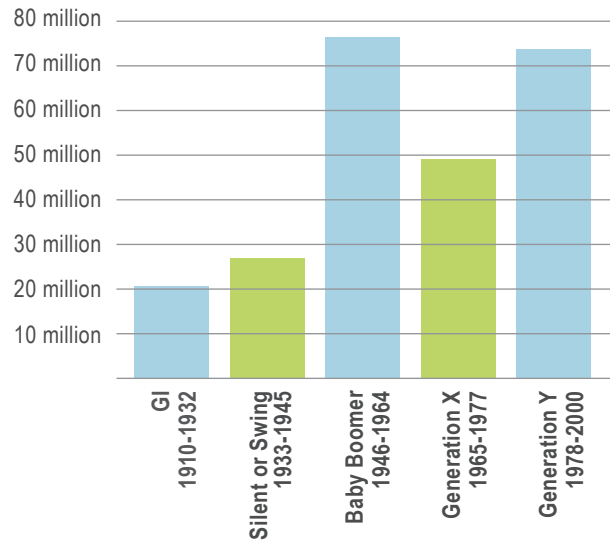
CUSTOMER-CENTRIC DIFFERENTIATION: THE KEY TO MARKET SUCCESS

At the conclusion of sessions at LOMA's recent Customer Service Conference, three very clear themes had come through—themes representing changes that will impact products, services, and distribution in the coming years:

1. Service is fast becoming the key differentiator in the marketplace as more companies try to gain market share by emphasizing understanding customers' expectations and recognizing employees as the front line for winning customer loyalty.
2. Customers are demographically diverse, less forgiving, and more demanding that service be delivered how and when they want it; creating demands for multi-channel service platforms built upon technologies that incorporate an awareness of customer experience.
3. To achieve truly diversified service differentiation, the most significant investment companies can make is in their people: developing their ability to fully satisfy and engage customers; empowering them to solve problems without escalation; enabling them to address customer requests on a once-and-done basis; and rewarding them with recognition, training, flexibility, and a rich work environment.

Companies that recognize the complexities involved in learning what customers really expect, and then deliver customized and differentiated service, will find themselves at the forefront of the industry.

Hidden within these themes and contributing to their complexity is the reality of generational differences at a level never before seen. They are differences that must be considered in order for the service differentiation and associated product and distribution changes to be effective as they bring a multi-dimensional differentiation across generation gaps with differences in accessibility, responsiveness, and tone. Looking at the mix of customers, there are five generations in today's market:



Source: 2005 Census

The GI and Silent generations are the traditional clients, with stable, well-understood needs and preference for personalized, high-touch attention and low-tech services. Baby Boomers (estimated to start shifting \$30 trillion in assets from accumulation to decumulation products by 2010) bring a combination of a longer lifespan with the rising health care costs, making every dollar count and driving the need for efficient products and services. Generations X and Y represent the up-and-coming markets, yet many companies are focusing only on Gen X. More strategic companies recognize the huge impact Gen Y will have and are already working to build loyalty with this young crowd at the same time.



SETTING THE STAGE FOR SUCCESSFUL SERVICE

Gen X and Y, children of the Information Age, bring a series of service challenges that will drive technological and cultural changes across the industry. Gen X is: pragmatic, focused on quality of life, self-reliant, technically savvy, adaptable, independent, and efficient. Gen Y is: optimistic, fun-loving, the digital generation, globally connected 24/7, and accustomed to everything being a click away. Gen X is technically savvy, yet Gen Y spends 28% more time online and is three times as likely to use social networking.

Generational divergence is not the only material trend—for one, the U.S. is also becoming more culturally diverse. The U.S. Census Bureau projects that by 2010 nearly one-quarter of the population will be of non-European ancestry, with nearly 16% Hispanic and 5% Asian. This diversity requires companies to become more aware of cultural differences and more adept at tailoring services for each unique segment of the market. The challenge will be to become culturally sensitive and diverse service providers, offering multilingual capabilities in call centers, correspondence, and policy forms.

The need to respond in a manner best suited to the consumer—a customer-centric strategy—will drive dramatic changes in operations and technology. Companies that recognize this need will be better positioned to differentiate themselves in the marketplace, offering the personal telephone touch preferred by the earlier generations at the same time as near-real-time online access and service with instant messaging and chat for the tech-savvy generations, all compounded by the need for bilingual service. To fulfill different service requirements, nimble insurers will have a technological base and well-trained personnel sensitive to cultural and generational differences.

Innovation, customer-centricity, and service differentiation are core strategies in preparing for the multi-generational and culturally diverse marketplace. For those who heed the coming changes, the opportunity is vast. Take time today to develop strategies around these imminent shifts to ensure your company's position at the forefront of the industry. 🌅

This article also appeared in *LOMA Resource*.

The trends in financial services are unmistakable. The distinction among products is blurring, price differences are narrowing due to competitive pressures, and it is becoming increasingly difficult for financial services companies to differentiate themselves on product or price. For many financial services companies, the new differentiator is customer service.

Delivering first-rate, low-cost customer service is extremely difficult. If you achieve it, your competitors can't replicate it without a lot of time, hard work, and false starts. Many of them will be incapable of ever replicating it.

Why is first-rate, low-cost customer service so hard to achieve? Customers interact with financial services firms in a wide variety of ways, presenting complex challenges for operations managers. Demand interactions, such as phone calls, text messages, and click-to-chat sessions, must be handled within seconds after they arrive. Staged interactions, such as account setup and claims, can be staged and processed within a few days. Other types, such as funds transfers and e-mail, fall in between. The latter don't have to be handled immediately, but they must be handled quickly (often within hours). And finally, there are self-service interactions.

Financial services firms that deliver first-rate, low-cost customer service do so by understanding the unique needs of these customer access channels. They set the stage for success by optimizing the design of their organization, jobs, and processes. They focus on the right things, and they closely manage the constantly fluctuating workload to ensure they get the most from available resources.

Here are seven key components of service center operations that will help to position a financial services company to differentiate on service.

Design the Service Center Organization with One Person Accountable

Many service centers are organized with responsibilities for demand interactions and staged interactions split, but when accountabilities are divided, so are focus and priorities. Even when the two managers cooperate well, daily pressures naturally put them at cross-purposes. Sharing resources, maintaining staff flexibility, and having common goals and objectives are all essential components of a well-run service center. Designing the service center to be managed by one person is the first step towards delivering first-rate, low-cost customer service.

Design Service Center Jobs and Hire Staff with Flexibility in Mind

Yes, keyboarding skills are essential for processing staged interactions, and some people are better at heads-down processing. And yes, direct interactions like phone calls and chat require excellent communication skills and the ability to empathize. But if you think these skills are hard to find in the same person, we challenge you to rethink your position. Most people not only possess these diverse skills, but they perform better and enjoy switching tasks.

So, first design a job that accommodates people who can do both types of tasks; second, look for both skills when you hire new staff. The volumes of demand interactions and the staff needed to do them fluctuate wildly throughout the day, week, month, and year. In order to respond to the ever-changing staff needs for demand interactions, a significant percentage of the staff must be able to easily move back and forth between demand and staged interactions.

Maintain a Sufficient Level of Cross-Trained Staff

Turnover, training, and new skill acquisition are routine parts of service center life. Maintaining a fully cross-trained, multi-skilled staff is not only impossible, it's unnecessary.

However, well-run service centers have at least 25–30% of their staff cross-trained to perform most service center tasks. Also, it's more important that staff handling the demand interactions be trained on most or all of the staged transactions. For staff processing the staged transactions, it's necessary only to have enough of them cross-trained to help with demand transactions when needed. As for the demand staff, common sense and our experience in observing service reps and service interactions makes it clear that the more the reps know about processing the staged transactions, the better they are able to service the caller. Cross-trained staff handle the demand interactions with more confidence and better quality while reducing the number of call-backs.

Focus on Quality, Responsiveness, and First-Contact Resolution

It's pretty obvious, but it bears repeating: Customers want things done right, done quickly, and done the first time they ask. An excellent quality assurance program isn't enough. Well-run service centers establish a learning environment by investing in training and development. This is not a fluffy luxury. It is essential for front-line staff to continuously refresh the skills and knowledge needed to correctly handle customer interactions.

Doing things quickly means setting aggressive service or timeliness goals and ensuring they're met. All service centers set service-level or average-speed-of-answer goals for phone calls, but much more is needed. The same speed-of-answer goal for phone calls is needed for all demand interactions. In addition, timeliness, aging, and inventory targets are needed for staged and in-between interactions.

Customers expect you to resolve the issue with one contact and send them some notification that the issue is resolved. Research shows that first-contact resolution (FCR) has the highest correlation to customer satisfaction, but it's very difficult to measure. Well-run service centers randomly survey customers shortly after the interaction to learn if their needs were met, and they work aggressively to maximize FCR.

Master Workforce Management Basics with an Emphasis on Real-Time Management

Because managing demand interactions is far more complex than managing staged transactions, a workforce management (WFM) function is essential. The basics of WFM are:

- » Forecast the demand interaction volume;
- » Convert that forecast volume to forecast staff needs;
- » Schedule staff to quickly handle demand interactions as they arrive;
- » Manage in real time; and
- » Report performance.

Real-time management means keeping a continuous vigil on the demand interactions and rapidly responding to ever-changing conditions. Well-run service centers are always looking ahead an hour or two to anticipate changes in demand volume. They quickly and easily move staff back and forth between demand and staged interactions. This allows them to keep inventories low, increase timeliness, and reduce cost.

Understand Service Center Capacity and Attempt to Maximize It Every Day

Beyond paying overtime and borrowing staff from other areas, service centers have a finite capacity for handling customer interactions. Daily changes in absenteeism and demand volumes combine to determine the number of demand staff needed and, by subtraction, the remaining capacity for handling staged interactions. Assuming that WFM efforts maintain adequate staffing for demand interactions throughout the day, the remaining staff must meet the productivity targets for handling the staged interactions. The first objective is to handle the demand volume with the right number of staff needed to meet service goals. The second objective is to use the remaining staff capacity as effectively and productively as possible.

Continually Evaluate and Expand Self-Service Capabilities

The aforementioned strategies are targeted at managing the customer interactions that require human intervention, but customers increasingly want 24/7 access, and they want to handle the routine transactions themselves. The best service centers continually evaluate their self-service channels for frequency and ease-of-use.

The most common self-service options are Web and interactive voice response (IVR). The most effective IVR solutions are designed to fit the customer's typical "call workflow," versus triaging calls for the convenience of the company. The menus should be brief, with two to three layers and no more than four choices in each layer. Emerging IVR designs incorporate next-generation voice recognition as well as predictive session content based on known information about the caller. There should always be an option to opt-out to a live person, and the opt-out frequency must be closely monitored. Web sites should likewise be user-friendly, with back/forward functionality and confirmations similar to typical wizards. Customers also appreciate links to related transactional sites and resource material. And with click-to-chat options, the design should let the service representative see exactly what the user sees and have ready access to supplemental information and screens that enable the agent to provide comprehensive assistance.

There is far more to achieving service excellence than can be addressed here, but these are key prerequisites. The additional actions required to elevate service to the level needed for differentiation will be more easily accomplished once the stage is properly set. 🌟



NOLAN CLIENT SPOTLIGHT

Project: Call Center Scoping and Operational Planning

Client: An expanding regional property and casualty insurer

Situation

Our client had made the commitment to implement a policyowner service center to allow agencies to spend more time selling new business. The plan was to start servicing personal lines and move quickly into the small commercial arena. The Nolan Company was retained to develop a service center strategy and operational plan that incorporates the needs of the agents, insureds, and key internal areas, such as teleprocessing, claims, and accounts receivable.

Key Issues

- » The company had a reputation for delivering exceptional service that had to be maintained and expanded in the service center;
- » Many pieces of the service center existed in separate functional areas (teleprocessing for endorsements and billing changes, claims for first notice of loss and other claims inquiries, and accounts receivable for billing inquiries);
- » Significant opportunities existed in combining portions of these existing functional areas; and
- » In most instances, the insured was calling the agent, and the agent, in turn, called the respective call center for an answer.

Nolan Contributions

- » Identified a current capabilities baseline through a series of interviews, observations, and interactive discussions;
- » Developed the business rationale for implementing the service center strategy;
- » Developed an initial operational blueprint, including organizational structure, staffing levels, roles, responsibilities, basic processes, system needs, and key performance metrics;
- » Prepared the preliminary pilot implementation plan, including prerequisites such as training, IT support, ACD requirements, call flows, and so forth; and
- » Delivered a service center staffing model and workforce management tool for identifying optimal staffing levels.

Results

The implementation strategy was identified, along with the necessary business and system requirements desired to meet customer needs. The company's reputation for exceptional service would be maintained and even expanded. A detailed, phased rollout plan was developed that allowed for aggressive implementation once service level targets were stabilized. The service center staffing model was used to determine optimal staffing and to project future needs based on growth projections. The strategy was adopted and moved into an active project status. 🌟

Putting Management Back in Workforce Management

Some years ago, Ronco pitchman Ron Popeil was selling rotisserie cookers in an infomercial. During the demo, he kept repeating the mantra “just set it and forget it.” While this is an appealing tag line for a kitchen gadget, the approach does not work very well in workforce management (WFM). Unfortunately, in many companies, that is often the fate of WFM software and, as a result, the workforce management function breaks down.

Over the past several years, we have encountered many organizations that have invested heavily in WFM software. You know—the high-powered packages that collect, analyze, and generate integrated forecasts, staff schedules, schedule adherence tracking, and intra-day data. These expensive systems typically require a significant up-front configuration that ultimately makes monitoring and management of the contact center much easier and efficient. The potential for major customer service and operational improvement is tremendous.

Unfortunately, after all the up-front work is completed, many organizations adopt the Ronco approach of “set it and forget it.” Thus, they never realize any sustainable improvements. Gradually, the management team realizes they are still fighting the same fires they were fighting before the WFM software was installed, and the tool becomes yet another management obstacle and/or slips into oblivion and is not used.



From our observations, many WFM projects fail early in their life cycle due to one or more of the following:

- » IT installs and configures the software without contact center management input.
- » The management team does not understand what the software is designed to do.
- » The management team does not know how to use the software output.
- » The management team abdicates resource management responsibilities to the WFM team.



The bottom line is that without enlightened contact center management engagement before, during, and after installation, a successful outcome is unlikely.

It is also important to remember that WFM software is not a resource management solution. It is a resource management tool that needs regular, disciplined management interaction and execution in order to maximize its value. In many cases, this disciplined approach is shortchanged or omitted, and the management team finds itself working harder just to get the same results they had prior to installing WFM. (Here's a good rule of thumb for any technology installation: if you are working as hard as or harder than you were before the solution was launched, you have a problem.)



Therefore, management engagement in the contact center is the lynchpin to successful WFM execution. We don't want to minimize the importance of the installation and configuration of the software, but the most critical success factor is regular management interaction with the WFM data. Managers need to meet daily (and often, throughout the day) to discuss the previous day's results and to focus on allocating available resources to meet the day's goals (phones and production in a cross-functional environment). These goals must be communicated to the staff in timely intervals—a continuous process that repeats itself throughout the day as situations change. The goal is to minimize reactive management. This approach proactively responds to changes in a way that minimizes staff disruption and maximizes customer service. This is a wordy way to say “having the right people in the right place at the right time.”

When this is done routinely, service levels are consistently achieved, associates are happier, and management has more time to coach and develop their staff. 🌟

NOLAN CLIENT SPOTLIGHT

Project: Achieving Transformational Change

Client: A leading employee benefits provider covering more than 25 million people

Situation

At the time of the engagement, our client enjoyed market share dominance but also recognized the need for transformational change. Its processes and systems were fragmented across product lines. In addition, the client was unable to capitalize on its considerable size to achieve meaningful economies of scale; its operating expenses were viewed as unsustainably high in relation to competitors. The company saw a strategic opportunity to improve its value proposition in the small- to mid-size employer market. The Nolan Company was hired to facilitate a transformation of the client's small employer business model, including products, supporting processes, and technologies. This effort was central to profitable growth among the small case group and voluntary markets.

Key Issues

The goal of the engagement was to design and implement an integrated and scalable customer-oriented strategy to attract and retain “transactional” customers in the small (2–500 employees) employer market. Specifically, the client wanted to achieve these two critical and complex outcomes necessary to drive profitable growth:

- » Rationalize its broad product portfolio to meet the needs of small employers by offering streamlined, standardized choices; and
- » Expand online customer capabilities to improve both the ease and speed of services offered in the target market.

Nolan Contributions

The client asked the Nolan Company to keep the pace aggressive and the focus on achieving transformational (versus incremental) change throughout the entire cycle of the three-year engagement. Facilitated by Nolan, teams identified key interactions between the client and its target customers, taking a life-cycle view of each. They recognized dependencies between the events and interactions, and identified technology and information capabilities needed

to support the processes while documenting customer needs and expectations along the way. Deliverables included:

- » A business plan and financial model;
- » End-to-end processes to support customer acquisition, servicing, and retention;
- » Specific technology capabilities needed to support the new business model;
- » Simplified product offerings;
- » Financial and unit cost models; and
- » Implementation plans, including a supporting marketing plan, a change management plan, and a training plan to support the implementation.

Results

Nolan helped the client deliver a set of capabilities to the market that are unique components (some of the capabilities are being patented). These capabilities include:

- » A set of integrated and aligned products and services at prices that make sense;
- » Enrollment solutions that maximize employee participation and satisfaction;
- » Technology that integrates installation and administration across multiple products; and
- » A significant reduction of operating expenses through simplified and enhanced customer experience. 🌟

What Does “Ease of Doing Business” Really Mean?—It starts with knowing your customer.

A theme we often hear is “we need to be easier to do business with.” It's easy to say, harder to do, and even harder to know you are doing it well. Whether you are in P&C, life, annuities and investments, health, or banking, we are all trying to attract and retain the same customers—and we are all using “ease of doing business” as a centerpiece of delivery. But what does that really mean? Here are a few thoughts and lessons from our recent experiences that you may find helpful.

First, know and agree on who your #1 customer really is. This can be a real challenge, especially in the complex world of insureds, direct sellers, career agents, independent agents, general agents, brokers, wholesalers, intermediaries, and so forth. Unbeknownst to many company leaders, there is still great confusion and debate deep within their organization as to who their #1 customer really is. It's often clear to the CEO, but the clarity becomes obscured the farther down the organization you go.

Take, for example, the head of Marketing and Agency Management. Obviously, his or her view is that agents are the most important customer. On the other hand, the head of Operations and Service believes the insured is number one. Both use the term "customer," but the meaning is obviously very different. Both are also communicating to their respective audiences and employees their version of who is #1 and how they need to be easier to do business with. For this company, neither version of "the #1 customer" believes the company is all that easy to do business with. This lack of clear definition has led to inconsistent priorities, conflicting resource allocation, an overly complex servicing model and, for customers, an underwhelming experience. In this example, both customer groups need to be clarified, including a consistent corporate vocabulary, before ease of doing business can be enhanced.

Second, define and prioritize your customer segments and their service needs. We can't be all things to all people. Segmentation of your customers, their needs, and what creates an advantage versus what are "table stakes" must be clear. Consider using the simple framework depicted below.

Third, communicate to your customers what you are going to do, then really deliver. Putting yourself on the hook for what you intend to deliver provides focus for the organization. A good example is a company that communicates turnaround time expectations to its agents for quotes and new business applications. Better-performing companies consistently communicate what they are trying to achieve. Of course, you must ensure that you have the operational design and resources to deliver. Setting expectations your customers understand and appreciate will also help you align management, staff, and resources.

Finally, measure, communicate, and improve. Leading companies measure their customer satisfaction levels, share them with staff, and constantly look for ways to improve. Those without a well-designed service management model tend to expend inordinate resources on retention heroics and recoveries from service lapses. Keep it straightforward. Improve ease of doing business by making sure you have consistent and thorough customer satisfaction measurement systems, transparent communication of results, and continuous improvement programs to respond to customer needs.

Yes, ease of doing business is hard to define, and it's different for every company. Make sure you agree on who is your customer and what they need before jumping to solutions. Also, you might want to ask this question around your organization: "Who do you think is our number-one customer, and what do they need to be successful?" You might find the answers revealing. 🌈

CUSTOMER SERVICE SEGMENTATION OF SUCCESS FACTORS

		Differentiator	Needed
Relative Competitive Advantage	Advantage	3. TARGET ZONE creates competitive advantage and potential for growth	No Opportunity for Competitive Advantage
	Parity	2. TARGET ZONE prevents market share erosion	1. TARGET ZONE avoids over/under delivery of services
	Disadvantage	Under delivery or misalignment of services fails to retain customers	Under delivery or misalignment of services drives customers away
		Creates an advantage	Necessary but not an advantage

NOLAN CLIENT SPOTLIGHT

Project: Creating Customer Focus

Client: A global life insurance, annuities, and financial services company

Situation

Our client is the market leader in variable annuities. The operations area was processing over \$12 billion a year in new business and rapidly growing to their target of \$20 billion. To create additional capacity to handle the growing volume, they wanted to streamline operations and provide differentiating service to the field.

Key Issues

- » A highly-fragmented work process with many handoffs and excessive quality checking;
- » Organization silos with little cross-training;
- » A workflow system with limited functionality;
- » Few accurate or useful management reports;
- » Many manual processes and workarounds;
- » A bank lockbox process that scanned all documents, processed checks, and sent them to the operation—80% of work arrived after noon; and
- » Manual contract assembly.

Nolan Contributions

- » Created a vision of the future based on customer focus, improved teamwork, and a high level of ownership;
- » Implemented a new organizational structure that flattened the organization and created key process responsibilities;
- » Redesigned the business process;
- » Recommended the insourcing of critical functionality (document management and check processing) and the outsourcing of contract print and mail; and
- » Developed staffing models and a new business redesign implementation plan.

Results

- » Reduced expenses by over \$2 million per year;
- » Brought better quality and customer service—error times were reduced, cycle times were shortened, and first-call resolution was improved; and
- » Made it easier for the agents and brokers to do business. This included clear processes, case ownership, better problem resolution, in-house lockbox processing, and straight-through processing of clean cases. 🌅

Customer-Centricity: The Name of the Game

Today, running a successful customer service operation is much more than just meeting basic targets such as single-dimension satisfaction ratings, cost savings, and efficiency—it is all about positive customer experiences and strong customer engagement. Customer-centricity is now the name of the game. While we can't lose sight of efficiency and effectiveness, operational decisions must be made with the customer experience as the top priority.

Technology significantly influences how customers feel about service. Not service-center technology, mind you... although that is critical to the equation, too. The technologies in question are cell phones, PDAs, laptops, e-mail, voicemail, GPS systems, even iPods. These ubiquitous and rapidly-evolving technologies enable instant access to information, products, and services 24 hours a day, seven days a week. We live in an age of instant gratification: is it any wonder that financial services customers have the same expectations for customer service interactions?

Thanks to these expectations and the resulting pressures, customer interactions have changed drastically. In the past, paper documents arrived in mail rooms and triggered activity throughout the customer service value chain. Typically, this value chain was disjointed and the processes cumbersome, inefficient, and costly. Fortunately, the inefficiency was hidden from the customer.

Today, service models are shifting to an integrated use of communication channels and service resources. Paper has been replaced with images and work objects, and call centers are evolving into full-service contact centers. These contact centers bring together print, electronic, and voice communications in an integrated, customer-centric processing environment. The new value chain, when executed effectively, streamlines customer access, shortens delivery cycles, and improves overall customer satisfaction.

This evolution, while a long time coming, has accelerated rapidly in the last few years. During the 1990s, many companies began to offer self-service options via the Internet. More often than not, this “self-service” pushed work to customers and was nothing more than access to static forms that were ultimately processed like any other piece of paper coming in the door. Today, however, the innovators in our industry have moved to blended work baskets that include e-mails, images, paper, phone calls, text messages, chat sessions and, in some cases, Web-based video conferencing.

Customer service executives are now using customer-facing technologies as differentiators. Some examples:

- » Voice over Internet Protocol (VoIP): VoIP is now mainstream technology that does more than just offer bandwidth and maintenance efficiencies. VoIP allows service organizations to seamlessly integrate multimedia applications into their service offerings. It also facilitates the linking of multiple service centers into more efficient virtual centers.
- » Interactive Voice Response (IVR): Traditional touchtone IVRs are being replaced with systems that feature both touchtone and intelligent voice response with speech recognition. Properly implemented systems allow centers to flatten traditional IVR menus and make the interaction more personal and less awkward.
- » Virtual Queuing: These tools allow callers to request a callback without losing their place in line. While there have been mixed reviews about these tools, acceptance and customer satisfaction will continue to improve as they become more mainstream and customers get used to them.

- » E-mail: Although customer e-mail has traditionally been handled in the service center, more and more centers are now treating e-mail like telephone calls. These centers are establishing response time standards and are notifying the customer as to when to expect a full response.
- » Web-Enabled Chat and Text: Chat is still in the early stages of integration into the service center. However, as Gen X and Gen Y become a larger portion of the customer base, chats will continue to grow in popularity. Enlightened service centers are establishing service standards for chats similar to calls (X% in Y seconds). Some companies are also leveraging Web collaboration tools (page-pushing, co-browsing, form-sharing, channel escalation, etc.) to enhance chat sessions. Institutional use of text messaging is emerging as yet another communications tool, and it will continue to expand in the near term.

Successful companies are integrating these evolving technologies with processes that accommodate multiple inputs at various entry points along the way. At the same time, industry leaders are keeping the human touch as a core element of service strategy—no matter how much consumers rely on technology, they still want the ability to connect with a live human. And they want this access instantly and without having to start over. If a customer is online doing an account transaction at 4:30 in the morning and decides to talk to a Customer Service Representative (CSR), they expect a knowledgeable CSR to be available.

This new service environment presents some significant staffing implications. As technology enables faster and more content-rich service, internal processes must be fully integrated and transparent to the customer. This means CSRs must be more knowledgeable and available when the customer is ready. The burgeoning complexity of resource management requires new management philosophies, tools, and techniques. Becoming truly customer-centric requires up-to-date management practices, infrastructure, and leadership that places the highest priority on delivering truly satisfying service. 🌟

THE BOTTOM LINE

The opportunities and challenges presented by the evolving customer service environment are dramatic. Opportunities abound to creatively differentiate service, attract new customer groups, and delight current customers. Any company that delivers customer service should take an objective look at their service capabilities, define fresh service differentiation strategies, and start now to implement the skills, processes, and technologies that will enable that future environment.

Please visit www.renolan.com for access to more Nolan insights on service delivery and improving operations.

We welcome the opportunity to discuss your interests and challenges to help better position your organization's service differentiation efforts for the future. Please contact us at 800-248-3742 or info@renolan.com to arrange a meeting.

The Robert E. Nolan Company is a management consulting firm specializing in the insurance, health care, and banking industries. For 35 years, we have helped our clients implement measurable and sustainable improvements in service, quality, productivity, and costs. 🌱



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Background

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This report is one in a series of reports and studies produced by the Nolan Company which address management topics in the areas of operational effectiveness, IT effectiveness, strategic alignment, and service improvement.

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