



FROM THE CALL CENTER TO THE EXECUTIVE SUITE:
THE VALUE OF CUSTOMER OPERATIONS
PERFORMANCE MANAGEMENT

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Table of Contents

Introduction—Customer Operations Performance Management:
Customer Experience and the Call Center page 1

Customer Operations Performance Management and the Bottom Line:
The Call Center Opportunity page 2

Customer Operations Performance Management at the Call Center:
The Merced Solution page 7

Conclusion—From Call Center Operations to Total Customer
Operations Management page 11

Introduction—Customer Operations Performance Management: Customer Experience and the Call Center

The need for greater operational control over the enterprise is a trend that is gathering momentum across a wide range of industries. At stake is the requirement for lower costs, greater profitability and improved return on investment in an increasingly complex, global business environment.

While executives have always tried to use myriad analytical tools to drive operational decision-making, the scope of the task at hand – marshalling corporate resources in pursuit of revenues and profitability – often boils down to a single critical issue: how well are customers being serviced by the company’s different operational groups. Regardless of the industry, product, or service being offered, customer-facing operations in sales, service, and manufacturing, among others, must be attuned to the needs of former, existing, and future customers. Successful customer-centric operations are a key component to growth and shareholder value, while a failure to optimize these operations leaves companies at a distinct disadvantage.

This customer-centric perspective underscores a major strategic requirement in the overall operations of a company: the need for comprehensive performance management solutions that can optimize customer operations and drive success at the customer level directly to the bottom line. And while performance management solutions directed at the financial operations of a company abound, Enterprise Applications Consulting (EAC) research has shown that there are relatively few performance management solutions targeted at the specific requirements of customer operations.

This dearth of customer performance management solutions centers around the unique nature of the relationship between a typical company’s operations and its customers. These operations are performed by individuals on behalf of other individuals, and the bottom line performance of customer-facing operations often comes down to understanding the quality – and hence the performance – of employees as they interact with prospective and existing customers.

Measuring whether these interactions succeed or fail – and doing something to optimize success and limit failure – is more complicated than it may seem. Often the majority of interactions take place in call centers, where employee turnover and mobility are high and the tools needed to track

employee success and improve employee performance are largely non-existent. Indeed, for all too many companies, call center operations are the weakest link in an overall customer performance management chain that is thereby limited in its ability to ensure customer satisfaction, improve customer loyalty, and generate revenues and profitability.

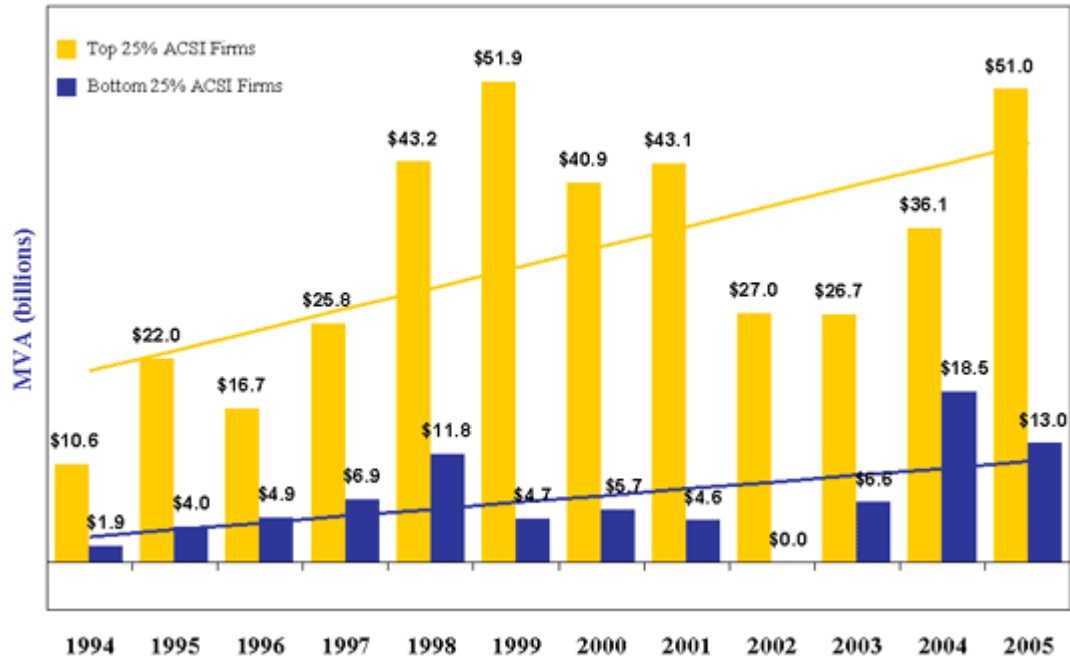
This central role makes the call center a microcosm of the overall issue of customer performance management: How can companies improve their overall customer operations, define a superior customer experience, and drive that success to the bottom-line? The answer is that for most companies, the inability to measure the total performance of call center operations is a primary obstacle to customer service excellence and loyalty creation. This makes solving this disconnect at the call center an excellent first step in improving all aspects of customer performance, thereby having a powerful, positive impact on overall corporate success.

Customer Operations Performance Management and the Bottom Line: The Call Center Opportunity

The role of customer satisfaction – which is key to defining the customer experience – in overall corporate performance has become a major strategic focus over the last decade, led in part by pioneering work on the topic undertaken at the University of Michigan’s National Quality Research Center (NQRC). The Center’s research on how customer satisfaction directly impacts important measures of corporate success has led to an increased recognition of the need for improvements in customer operations.

The results of NQRC research into customer satisfaction and its impact on corporate performance can be seen in the correlation between what NQRC calls the market value-added index, or MAV, of the companies it studies and their relative customer satisfaction index, as measured by the Center’s American Customer Satisfaction Index, or ACSI. The correlation, shown in Figure 1 below, highlights the fact that companies with high levels of customer satisfaction, and hence a high ACSI score, return a significantly greater value to their shareholders than companies with low ACSI scores. These same high scoring ACSI firms also significantly outperform the S&P 500 average, as shown in Figure 2. (It’s important to note that the Center’s research covers a wide swath of the United States GDP, including retail, manufacturing, telecommunications, finance, insurance, health care, and public administration, among others.)

Figure 1: The Correlation Between High Customer Satisfaction & Shareholder Value



In any given year since 1994, high customer-satisfaction companies have returned between 200% and 1200% more value to their shareholders than companies with low customer satisfaction ratings (excluding 2002, when the MAV of top ACSI firms was 2700% higher than that of the lowest ranking ACSI firms.)

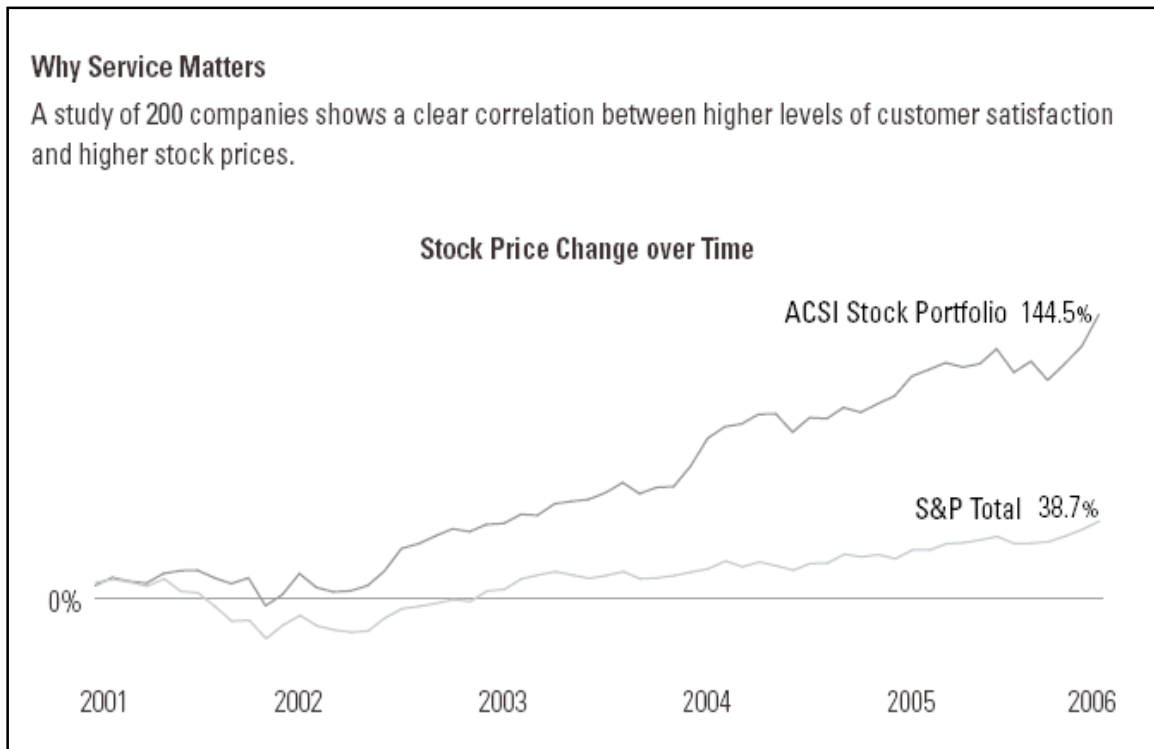
Source: ACSI, University of Michigan's National Quality Research Center

The results of this and other research have in turn helped promote the notion that improving overall customer satisfaction should be a strategic goal undertaken by all companies in every possible industry. In trying to do so, however, most companies find that they are handicapped by the lack of specific tools and technologies for realizing these goals, and many have found that general purpose business intelligence and analytical tools fall short in meeting this critical need.

Part of the problem is that these tools are designed to measure and analyze data from internal transaction systems such as ERP, CRM, and the like, and are not designed to cope with the

unique blend of data and processes – much of it outside the traditional transaction environment – that must be measured in order to track customer satisfaction. The other problem is more domain specific: general purpose business intelligence tools are *too* general purpose to offer users more than a blank slate with which to measure a complex set of interactions that users are themselves unsure how to analyze.

Figure 2: Top ACSI Companies Significantly Outperform the S&P 500



Source: NQRC, Harvard Business Review

The Need for Customer Operations Performance Management Solutions

That limited availability of tools and technologies specific to the issues behind customer satisfaction have in turn helped promote the need for a separate analytical framework for understanding customer operations that can best be described by the term *customer operations performance management*, or COPM. A COPM solution is one that provides insight into, and, importantly, directs corrective action towards a company's customer operations with the goal of helping employees at all levels optimize the customer-facing elements of the organization. This is

very different than customer relationship management solutions, which help manage the commercial relationship between a company and its prospects and customers.

A COPM framework focuses on optimizing the operations that support these customer relationships, and as such brings to customer operations the analytical rigor that has been applied to other operational domains, such as the supply chain, while recognizing that COPM has special requirements above and beyond what is currently available in CRM or financial management solutions. Merced Systems Inc., Redwood City, CA, which has helped pioneer the COPM concept, defines COPM as a set of solutions that help identify key areas in customer operations that need improvement, and then drive those improvements through the use of integrated, “closed-loop” analytics and services, with the goal of improving customer loyalty, operational efficiency, and sales.

This definition, with its distinct focus on customer operations, makes COPM a unique category of analytical solution that can have a broad impact on the enterprise, from day-to-day operations in key areas such as sales and service, to the broader strategic issues faced by CEOs, COOs, and senior IT executives. The distinct nature of these solutions is an important consideration as well – COPM represents a class of solutions that both identify problems and help remediate them. COPM requirements cannot be fulfilled by traditional business intelligence reporting tools, which typically fail to provide closed loop analysis: COPM solutions must report and analyze issues and problems while providing an additional dimension of information that allows corrective action to take place as well.

COPM: KEY CHARACTERISTICS

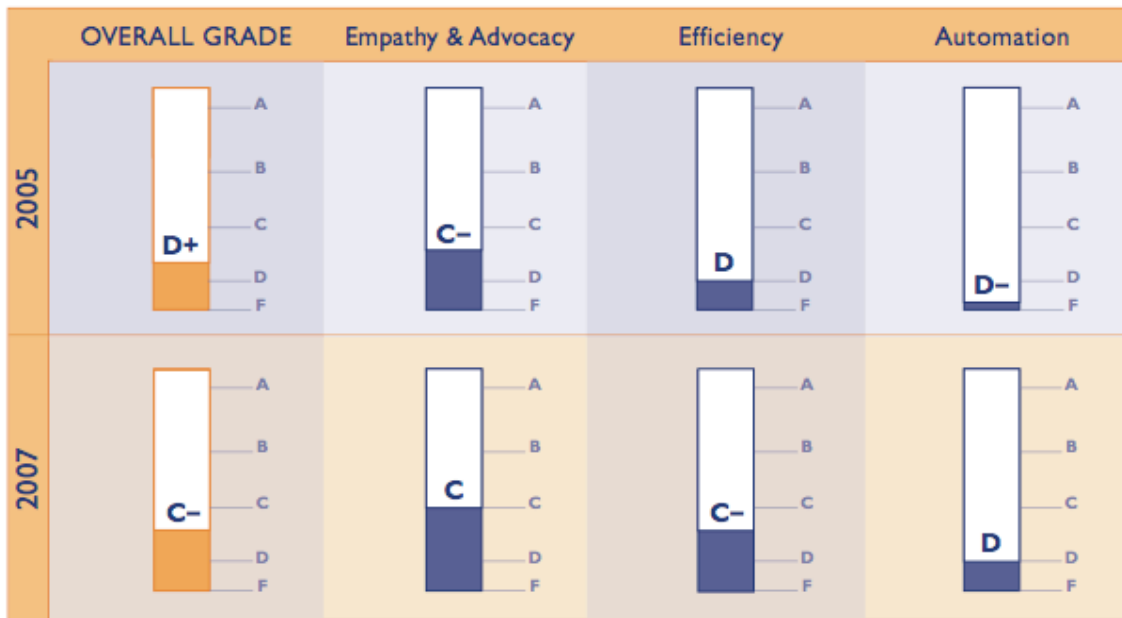
- Business Applications used by Front Line and Executive Staff
- Focused on Improving Customer Operations, including Sales and Service
- Based on Closed Loop Analytics and Services
- Support Remediation and Corrective Action

Operationalizing COPM: The Call Center Paradox

The requirement for COPM solutions can perhaps best be seen in the context of what Enterprise Applications Consulting calls the “call center paradox.” This paradox is characterized by a significant disconnect between the importance of the call center as a key driver of customer satisfaction – and by extension, as we have seen above, financial performance and the overall customer experience – and the ability of most call centers to effectively fulfill this role.

The general state of the call center vis-à-vis its impact on customer satisfaction – or more accurately, customer *dissatisfaction* – can be seen by looking at the results of a recent study by Aspect Software, a leading contact center software vendor. Aspect-sponsored research in recent years has shown a consistently poor overall perception among customers regarding the call center performance of their vendors. The Aspect Contact Center Satisfaction Index, which uses a letter grading system, with A+ being the highest grade and F being the lowest, most recently gave the industry an overall grade of C-. That grade, from the 2007 study, is an improvement over the absolutely dismal D+ that the Index showed in 2005. (See Figure 3.) Either grade, however, given the importance of the call center as the nexus of customer satisfaction, should be unacceptable to any executive or manager in any customer-facing line of business.

Figure 3: Aspect Contact Center Index, 2005 – 2007



Source: The 2007 Aspect Contact Center Satisfaction Index

Hence the call center paradox, and the need for COPM solutions: in a world in which customer experience and satisfaction defines financial success, and in which the call center is an important nexus of many company's customer-facing activities, the continuing poor overall performance of call centers begs for a comprehensive solution. That solution lies in COPM.

Customer Operations Performance Management at the Call Center: The Merced Solution

Merced Systems' goal to be a leader in customer operations performance management starts with its flagship product, Merced Performance Suite, which is intended to provide closed-loop COPM

MERCED PERFORMANCE SUITE: THINKING OUTSIDE THE CALL CENTER BOX

Two of Merced's customer engagements highlight the company's ability to provide COPM support for non-call center operations. One customer, a national satellite television provider, uses Merced Performance Suite to track, and improve, the performance of its retailers and internal sales reps. The software allows these retailers and sales reps to improve their customer acquisition by monitoring customer activations and any ensuing trouble tickets or other problems.

Another customer, a global telecommunications provider, also uses Merced Performance Suite to improve its retail partner network by monitoring retailer performance and using the Suite's reports to assist in coaching and other performance improvement initiatives.

analysis in the call center and other customer operations-focused parts of the enterprise, and use that analysis to both improve specific call center operations as well as overall corporate customer operations. EAC's review of Merced Performance Suite shows a solution that can both solve the call center paradox as well as set the ground work for a more comprehensive COPM effort. The company's high degree of customer satisfaction within their own customer base provides additional verification of Merced Performance Suite's potential.

While the initial focus of Merced Performance Suite has been on call center operations, the company has also been extending its functional reach into areas such as sales channel management and retail branch customer service. These areas, and others such as field service support, are natural extensions of Merced's COPM focus: Companies that wish to excel at COPM must measure and optimize the performance of all of their

Customer Operations Performance Management

customer-facing operations. Indeed, only by measuring and improving the full panoply of customer operations, can companies hope to significantly and permanently improve their overall customer satisfaction. (See sidebar.)

The unique capabilities of Merced Performance Suite lie in the recognition that call center performance management needs to be based on the interplay of two data elements not normally captured in standard performance management tools or more specialized CRM solutions. The first data element is the organization chart of the call center, and the second data element is the “temporality” of individual employees and groups relative to their position in the org chart. While org chart data are relatively common, combining the org chart with temporality – which provides a time “stamp” that specifies at what time an individual was fulfilling a particular role in the call center, performing a particular task or set of tasks – makes it possible for Merced to deliver a very unique set of operational metrics.

This use of temporality is predicated on the fact that call center employees are highly mobile within their organizations, moving between different teams and different functions as call center loads change and the employees’ training and capabilities change. Temporality is therefore a major factor in how individuals are rated and how their compensation is calculated. As a given agent is moved between, for example, sales and service roles, vastly different goals are established, and therefore a different set of metrics has to be calculated to measure that individual’s overall performance.

These differences in overall agent goals and metrics impact the entire organizational hierarchy of the call center. As agents switch between teams, the team manager’s own performance metrics must be adjusted to compensate for the fluidity of the employee pool he or she manages. And the impact of temporality cuts across other dimensions as well. As special incentive programs are implemented, and new products and services started and older ones terminated, the start and stop dates become a key element in getting a true picture of how well an individual, a team, and an entire call center are performing.

Similarly, as an agent moves between different teams and different tasks, his or her access, privileges, and other role-based activities must be automatically changed to reflect the requirements of the individual’s new role: this adds an important element of personalization to the

Customer Operations Performance Management

issue of the changing nature of call center work and how it is reflected in Merced's performance management software.

These data elements and the metrics they generate become the basis for a set of reports and dashboards that are targeted at improving the performance of individuals, teams, and entire call centers through the support of behavior change and process improvement. Merced customers typically use these metrics for coaching and process improvement at multiple levels in the organization, and the reports generated on overall call center performance are used to inform senior management, not just about the specifics of call center operations, but the more general – and financially relevant – issues relating to overall customer satisfaction. This allows for a closed loop management function that tracks performance at multiple levels and links that performance to corrective action across the organization.

Merced Customers and COPM

Merced's success at both fulfilling the immediate need to improve call center performance, as well as achieving the larger goal of improved customer operations and overall financial performance are borne out in EAC's interviews with Merced customers. For Merced's customers, Merced Performance Suite is used at the call center level to identify precisely which agents and teams are meeting performance goals, and which need coaching and other forms of remediation. Merced Performance Suite is also used to evaluate service levels, manage staffing and compensation, and otherwise synchronize call center performance to overall corporate goals.

This synchronization of call center performance and corporate performance goals has an impact outside the call center as well. Merced customers report that Merced Performance Suite has the ability to highlight the impact of a call center on overall financial performance, customer satisfaction, sales and service levels, as well as other operational factors such as agent staffing levels. A Merced customer told EAC that this allows companies to have “more insight into operational effectiveness across business units.”

**CALL CENTER PERFORMANCE ROI FACTORS USING
MERCED PERFORMANCE SUITE**

Manage and Improve Agent and Supervisor Performance

Manage and Improve Call Center Performance

Correlate Call Center Performance and:

- Financial Performance
- Service levels
- Workforce Management

**ENTERPRISE-WIDE ROI FACTORS USING
MERCED PERFORMANCE SUITE**

Improve Operational Effectiveness

Drive Service-to-Sales Efforts

Improve Customer Satisfaction

Better Synchronize Financial and Operational Goals Enterprise-wide

The information gleaned in EAC's interviews with Merced customers are in line with Merced's own ROI data, which show similar correlations between the use of Merced Performance Suite and call center performance. These data show that not only basic call center measures like Average Handle Time (AHT) can decrease significantly, but Merced customers also report significantly higher close rates and revenue per call, as well as lower billing adjustments using Merced Performance Suite. Most importantly, the overall customer experience, as measured by the percent of callers who report that their call "exceeded expectations" versus those who reported that their call did "not meet expectations" improved dramatically using Merced Performance Suite. (See Figure 4.)

Figure 4: Merced Performance Suite: Return on Investment



Source: Merced

These results highlight Merced Performance Suite as a factor not just in “local” call center performance, but in improving the larger domain of customer satisfaction as well. In addition, the impact of Merced Performance Suite on customer satisfaction in turn can drive significant improvements in overall financial performance, as shown in the discussion of the American Customer Satisfaction Index (ACSI) and the relatively low level of overall call center performance as reported in the Aspect Contact Center Index.

Conclusion—From Call Center Operations to Total Customer Operations Management

EAC believes that Merced’s experience in helping customers improve call center performance is the starting point for a more comprehensive approach to overall customer operations. This broader view will fill an important operational need for all customer-facing companies, none of which can afford mediocrity in their interactions with customers, regardless of the line of business, product, or service.

Customer Operations Performance Management

Importantly, the Merced approach, which emphasizes remediation in addition to domain-specific reporting and analysis, signals an important departure from the traditional business intelligence tools and solutions that have attempted – and largely failed – to rise to the challenge of COPM. While traditional business intelligence is clearly part of Merced’s offering, insofar as reports, dashboards and alerts are offered as part of Merced Performance Suite, the ability of the product to direct remediation efforts at the individual and call center level signals a unique approach that business intelligence tools cannot replicate.

While Merced’s focus today is on the call center, the company has begun to significantly broaden its offerings to include a more comprehensive view of COPM. These efforts come from the realization that delivering quality to customer-facing operations is the number-one challenge in today’s global, outsourced, and often disconnected economy.

With so much of the actual manufacturing and delivery of goods and services being outsourced to partners around the world, the most important battleground for success becomes customer satisfaction. Companies in a wide range of industries are discovering, too often the hard way, that low-cost manufacturing and service delivery is only half the battle, and arguably the easiest half at that. Ensuring that customers are satisfied, loyal, and therefore willing to be both repeat customers and recommenders of a company’s products and services is increasingly the key performance metric that demarcates the line between success and failure.

EAC believes that Merced’s core understanding of customer interactions, and the measurement and remediation of performance, stand it in good stead to be a pioneer in this important new capability, even as Merced delivers solutions today that address the initial steps companies must take in order to realize the benefits of COPM.

The goal of total customer operations management starts in the call center, and Merced Performance Suite is an excellent solution for bringing those concepts to fruition in a direct and measurable way. As Merced progresses in its goals for broader COPM functionality, EAC believes that companies familiar with Merced Performance Suite’s capabilities will be well-positioned to deliver those concepts more broadly across their different customer-facing operations. The results, in terms of improved customer experience and financial performance, should speak for themselves.