

IP and Customer Loyalty

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For years, companies have been using various methods to measure “customer satisfaction” as one indicator of the contact center’s performance. But, “satisfaction” isn’t a very good predictor of a customer’s long term value to the company. “Loyalty” is a much better concept. And, there are ways to improve loyalty through effective use of some tools enabled by IP.

Measurements. A typical method for measuring satisfaction is to conduct a customer survey asking about various aspects of the service received, the agent, etc. Often the approach is to use an ordinal measurement, such as a Likert Scale. Customers surveyed are presented with a statement and then asked whether they agree or disagree – a 1 would be “strongly disagree” and a 5 “strongly agree”. In the analysis, often the 1s and 2s are grouped, as are the 4s and 5s, to get an indication of the number of customers who are “dissatisfied” vs. being “satisfied.”

This sort of methodology is typically used by many organizations as they seek to track effectiveness at meeting customer needs. Unfortunately, there are many traps lurking in the analysis and interpretation of these numbers. Some of these relate to who takes the survey, and the resulting “survey bias.” (e.g., respondents on the extremes of the “satisfaction” scale will have a greater tendency to take a survey, skewing the results.) Other traps are how the numbers are used. A common, but understandable, flaw is to average the numbers (“We have an average customer satisfaction rating of 3.86.”) or to perform other mathematical analyses (“Our satisfaction measure went up 10%.”).

The purpose here isn’t to go into the arcane details of statistics and sampling theory, or discuss why ordinal scale data can’t be used for interval or ratio scale analyses. Rather, the point is that these measures usually aren’t really getting at what’s critical anyway. Certainly it’s important to understand and fix those things that cause dissatisfaction. Dissatisfied customers with alternatives will seek other sources of goods and services. But many studies find that the opposite statement is not necessarily true. That is, even satisfied customers defect to competitors. They can be easily wooed away by price, convenience, or minor feature improvements. Frederick Reichheld in a Harvard Business Review article quotes a study that says that between 65 percent and 85 percent of customers who switch to a new supplier were “satisfied” or “very satisfied” with their previous purchases. He also points out that customer satisfaction scores in the automobile industry are 85 percent to 95 percent, but repurchase rates are under 50 percent.

What is Loyalty? There are fundamental differences between “satisfaction” and “loyalty.” Satisfaction is about needs being met; the rational mind thinking and analyzing value. Loyalty is about an emotional connection between your customers and your company. Loyal customers will proactively promote your company, tell their friends, and perhaps more important, forgive a minor mistake or inconvenience if it is attended to appropriately. Ultimately, loyal customers

don't even look at competitive offerings, even for new purchases in a different product category.

Satisfaction is what people say; loyalty is what they do. To get to loyalty, companies have to influence behavior, often by having a deep understanding of their customers, both in aggregate but also down to at least the customer segment level, and in many cases to each customer on a call by call basis.

Is it worth it? We've all heard the statistics about how much harder (and costly) it is to win new customers than retain old ones. There is a lot of analysis done about the lifetime value of a customer, including profits from future sales and the profits from that customer's friends. A Harvard Business Review article by Robert Sasser reports that a 5% increase in customer retention can mean as much as a doubling of profitability for a business. So, "loyalty" clearly can have significant benefits.

Promoting Loyalty. For the purposes of this column, let's consider three attributes that influence customer loyalty:

- The quality and value of the company's products and services relative to the customer's needs.
- The company's interactions with the customer.
- Alignment of the customer's values with the "brand" or the image of the company and its products or services.

The contact center is often the primary agent for the second of these - interacting with the customer - but the center's performance can strongly affect the other two factors as well. Much this is the agents themselves - their attitude, their training, their reaction to different situations presented to them. But, equally important, capabilities readily enabled by IP can have a powerful influence on the perception of how the company is treating the customer. Let's consider a few examples.

Integration. The convergence of voice and data under an IP-based infrastructure is easing some of the challenges in integrating the diverse systems deployed in many centers. In the past, passing information among different systems has often been costly and difficult. That's why we still encounter situations where, after interacting with an IVR then transferring to an agent, we're asked for our account number...again.

Properly designed, IP convergence eases some of the challenges and costs of CTI deployment or passing information to where it can be used effectively, irrespective of where the agent is located. One of the benefits of this vision is the ability to access information in databases to allow differentiated treatment of each caller. This personalized treatment is a cornerstone in establishing the kind of emotional relationship between the company and its customer. "They know me and my situation, and are proactively caring."

Right Agent. If information is readily available to the call routing engine about the caller and the relationship, we can use that information to get the call to the best qualified, available agent. Companies have been doing this for years using skills-based routing algorithms. But, in many

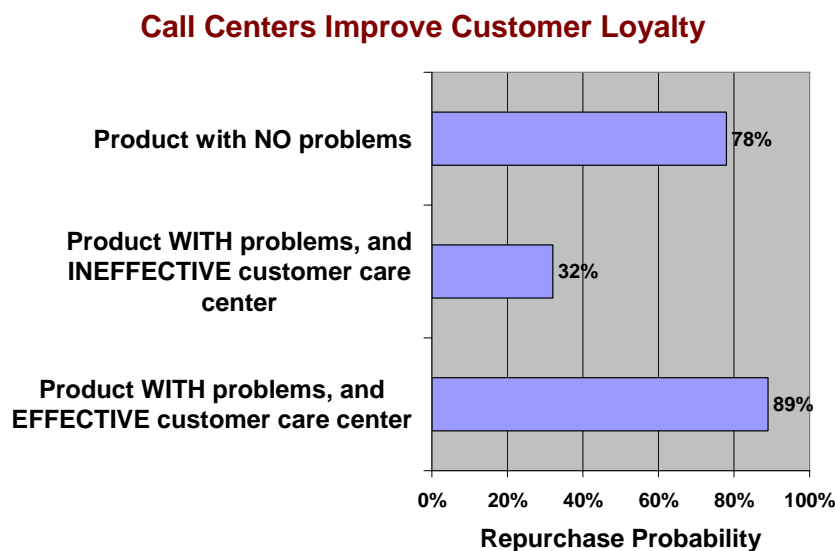
cases there have been limitations in how this functionality is implemented. IP enables a true virtual contact center environment where the correct agent can be selected irrespective of where that agent is in the entire network of centers, potentially including outsourcers. Again, this ability to assure that each customer is matched to the best agent helps foster an emotional connection that is a basic block of loyalty.

Multiple Media. Our cell phones and PDAs are rapidly acquiring capabilities to make them flexible communications appliances. At the same time, there is a growing trend to increasing self service over the web or through IVR, where there is occasionally a need to speak with an agent. IP will be the foundation for systems and services that allow customers to choose how and through what device they will communicate with our companies. Enabling that ability helps the customer feel that “this is a company that is easy to do business with.”

First Call Resolution. It’s becoming increasingly clear that first call resolution is a critical success factor for cost effective handling of calls in a way that customers value. One of the tools to help achieve FCR is a good knowledge management system. Another is the ability of the agent who answers the call to find and bring into the discussion the specialists needed to get a situation resolved.

IP is fundamentally changing how collaboration works within companies. As presence systems become more powerful, agents will be able to identify and collaborate with the specialists needed to resolve an issue, or answer a question on the first call. We will go into presence and collaboration in a future column, but the new ability under IP to simply drag icons of available experts into a conference box will fundamentally change how business is accomplished. And all this will dramatically influence callers’ perceptions of the company’s ability to address their issues.

Loyalty Factor. The Purdue University Center for Customer Driven Quality published a fascinating statistic. Customers were grouped according to their experience regarding a product problem, and surveyed about the likelihood of repurchase. Then, the “top box” scores only were tabulated. (That is, selecting a 5 on a 1 to 5 scale. Some analysts use top box scores as an indicator of potentially “loyal” customers.) The results are shown in the following chart:



The chart shows that customers who had a problem which was *effectively resolved* were much more likely to repurchase, even more likely than customers who never had a problem. Thus a contact center with the tools and capabilities to get problems fixed can have a significant positive impact on customer loyalty.

Companies increasingly strive to build loyalty. Effective tools, including those enabled through IP, can have a significant impact on a customer's perceptions and engender the positive emotional connection that helps loyalty develop.

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