

“Please Wait for the Next Available Agent...”

The New Frontier in Service Delivery

More products and services. Expanded delivery channels. Greater customer demands and expectations. For today’s service companies or service departments, these conditions define business as usual. The proliferation of offerings and demands has caused an exponential increase in the complexity of customer service activities, requiring service centers to make ever greater demands on their people, infrastructure, and technology. In this challenging environment, service centers are being asked not just to improve service, but also to reduce costs and become a source of incremental revenue for the organization.

Customers are unforgiving when it comes to service center performance: They make no allowances for service level differences across industries, and they hold every service center to the high standards set by best-in-class service organizations like Dell or Southwest Airlines. The demands made by internal stakeholders are no less challenging. Business unit and product managers are aggressively looking to generate new revenue from existing customers and products by improving cross-selling effectiveness and boosting customer retention. At the same time, the budgets of service organizations are under pressure, and service center managers are increasingly forced to deliver far more with much less. Service centers also face tough questions from senior management: Why can’t the business get more revenue lift from customer service? Why do service centers still have trouble delivering high-quality service at low cost, despite a decade or more of

technology investments? Why aren’t service centers a source of valued intelligence for product development, marketing, and sales?

Elevating Service Center Performance to a New Level—Best Practices

To meet the stiff challenges posed by both customers and internal stakeholders, today’s most successful service managers are adopting innovative strategies that boost service center performance while at the same time containing total cost. Our work with clients and our understanding of global best practices in service delivery suggest that the overarching principle behind these new strategies is the segmentation of demand and supply within the service center:

- Customer base segmentation according to needs and lifetime value
- Service delivery segmentation into distinct activity streams with tailored capabilities and infrastructure

Segmentation can generate revenue lift while simultaneously reducing costs by aligning the service experience and delivery infrastructure to the individual customer’s needs and lifetime value. Segmentation also enables service centers to assemble a unified service delivery capability that combines people, process, and technology. Service centers are thus transformed internally from simple “requirements takers” to cross-functional partners able to deliver value through exceptional service, selling capabilities, and low-cost product support.

Our experience reveals six best practices that leading service organizations are using to enhance the overall effectiveness and efficiency of their service delivery:

1. Codification of a service taxonomy
2. Customer segmentation
3. Tailored Business Streams
4. Channel alignment
5. Creation of cross-functional linkages
6. Optimization of internal operations

Best Practice 1: Codification of a Service Taxonomy

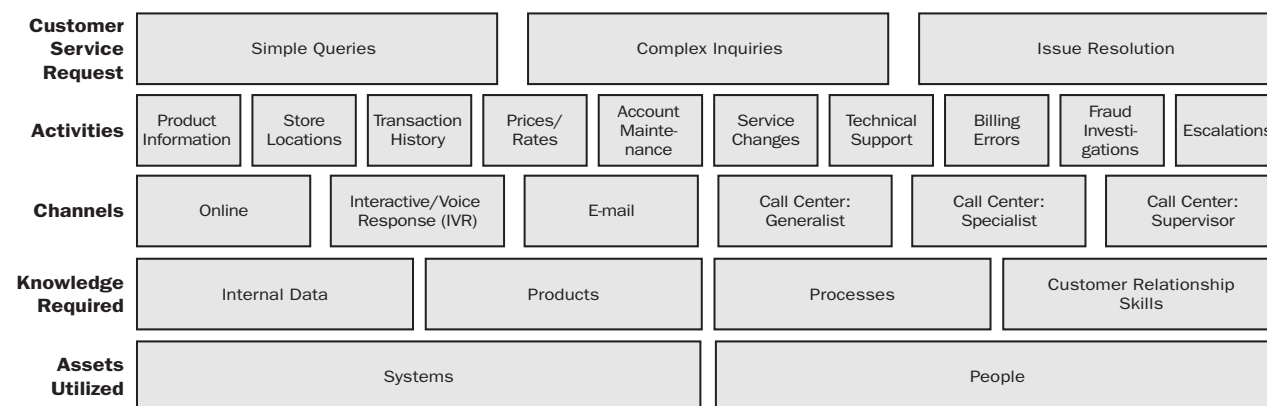
Best-in-class service centers segment demand by first codifying service activities in a Service Taxonomy—a tool that systematically sorts offered services into activities and components (see Exhibit 1). This taxonomy has an immediate tactical use—it allows the business to evaluate the necessity of certain activities (Do customers demand the service? Can a low-cost channel be employed?) and to rationalize activities that are insufficiently valued in the market (Are customers willing to pay for the service?). However, the greater value of the taxonomy is as a foundation for needs-based customer segmentation: Differences in customer needs appear in the taxonomy as differences in customer demand for various activities. On the cost side, the taxonomy defines which activities and related delivery components are common across the activity base, highlighting opportunities for scale within service delivery streams.

Best Practice 2: Customer Segmentation

To increase customer retention, cross-selling, and up-selling, best-in-class service businesses segment their customer base on two dimensions—needs and value. The creation of needs-based customer segments is the first step toward ending the over- and under-serving of customers. Similarly, the creation of a value-based segmentation allows service centers to tailor service delivery based on the relative lifetime value of customers. Typically just 20% of customers drive most of the economic value, yet this core 20% rarely receive the service attention they need to ensure their satisfaction, retention, or expanded product usage. By applying needs- and value-based segmentations, service centers can deliver what customers truly care about while strengthening their most valuable customer relationships. A major software and service provider provides an example of this segmentation in action. Clients with the highest lifetime value are automatically assigned a dedicated service manager to handle all interactions. These clients also have the option of using other channels, such as the Web. Conversely, clients with lower lifetime values are automatically assigned traditional channels like call centers and the Web, with no dedicated service manager. These lower-value clients, however, are also given the option of requesting a service manager at a higher cost. Such segmentation ensures that every customer receives the appropriate level of service at an appropriate cost.

Exhibit 1

Service Taxonomy: Customer Segmentation Building Blocks



Source: Booz Allen Hamilton

Exhibit 2
TBS Segmentation of Service Delivery and Tailored Infrastructure

	TBS Segment 1: Simple Queries		TBS Segment 2: Complex Inquiries		TBS Segment 3: Issue Resolution	
Channels	Online	IVR	E-mail	Call Center: Generalist	Call Center: Specialist	Call Center: Supervisor
People	▶ N/A		▶ Entry-level functional and broad product knowledge ▶ Basic customer handling skills		▶ Deep technical expertise and specific knowledge ▶ Advanced customer-handling skills	
Processes	▶ Structured interactions bounded by content displayed/recorded		▶ Standard procedures, including escalation process ▶ Scripted interactions with rules-based account adjustments		▶ Advanced procedures and troubleshooting guides ▶ High-level rule adjustment authority	
Technologies	▶ Dedicated applications integrated into data systems		▶ Controlled access/movement across all applications ▶ Basic CRM/case management		▶ Complete access/authority to all applications ▶ Detailed CRM/case management	

Source: Booz Allen Hamilton

Best Practice 3: Tailored Business Streams

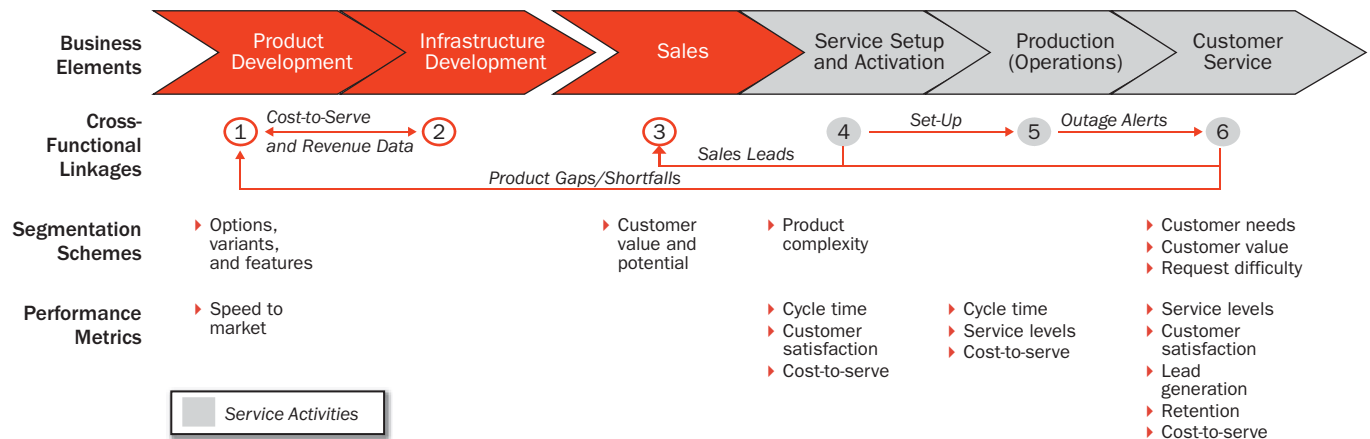
In the pursuit of lower costs, best-in-class service organizations create a segmented service delivery infrastructure through the application of Tailored Business Streams (TBS). TBS segments customer service requests based on their relative complexity and aligns tailored infrastructure (people, processes, and technologies) to fulfill requests at the lowest total cost (see Exhibit 2). The most common segmentation criterion is relative difficulty of requests. The easiest requests flow through the most efficient and least expensive phone queue, or better yet through an alternate and more efficient channel such as the Web; difficult

requests are fulfilled by more costly and capable infrastructure (e.g., seasoned agents with higher levels of authority and broader access to customer and product data). TBS addresses the complex balance between customer needs and service costs by systematically steering customers toward the most appropriate and cost-effective service solution.

Best Practice 4: Channel Alignment

Service centers are a critical component of any service organization’s overall customer service strategy, but true optimization of service delivery requires a vision that spans all channels. Customers make channel choices based on the complexity of their needs and on their preference for particular service-delivery vehicles. This choice drives significantly different costs per transaction, ranging from a few cents for online or voice response (IVR) interactions to as much as \$20–\$30 for a branch or in-person transaction. Each channel offers a unique mix of opportunities and challenges for generating incremental revenue and ensuring customer retention. Service companies must therefore provide the proper incentives to steer customers to appropriate channels based on their needs and economic value. Our experience with an investment services company provides an example. The company offers price discounts to clients for using self-service channels such as the Web and IVR, and as a result has been able to move 70%–80% of its call center activity to the Web and IVR. Appropriate alignment of service channels thus empowers customers, boosts satisfaction and retention, and generates cost savings.

Exhibit 3
Cross-Functional Linkages



Source: Booz Allen Hamilton

Exhibit 4

Internal Operations Best Practices

	Forecasting and Capacity Management	CSR Skills, Development, and Evaluation	Positioning Information at the Customer Touch Point	Managing Routing and Handoffs	IVR Development
Level 3 "Best Practice"	<ul style="list-style-type: none"> Forecasting based on predictive demand and exceptions, e.g., new product launches Staffing to meet hourly forecast Call roll-over capability based on available system capacity 	<ul style="list-style-type: none"> Product cross-training to certify specialists Specialized training on helping customers articulate issues and identify unmet needs Emphasis on listening and personalizing conversation Agent incentives aligned with service value proposition 	<ul style="list-style-type: none"> Single system for all inquiries and transactions IVR collects/transfers complete customer data across all products and accounts Agents pooled or dedicated to support unique customer needs and drive incremental revenue 	<ul style="list-style-type: none"> Call-back by individual or pooled agents offered to customers Mandate making the agent with initial contact responsible for final resolution Agents empowered to resolve "gray" issues Separate phone numbers for dedicated agents and teams 	<ul style="list-style-type: none"> IVR customization, e.g., nicknames, menu sorting Voice-activated IVR Option to leave a message for an agent call-back
Level 2 "Advanced"	<ul style="list-style-type: none"> Forecasting based on historical averages plus cyclical effects Staffing to meet daily forecast 	<ul style="list-style-type: none"> Additional training for customer segmentation and listening skills Periodic advanced product and systems training sessions Quantitative agent appraisals with weekly supervisor discussion 	<ul style="list-style-type: none"> Online knowledge repository Integrated interface for all inquiries and transactions IVR collects/transfers basic customer profile, value indicators, and transaction history Inquiry record locator provided to agent 	<ul style="list-style-type: none"> Queues for different customer segments, e.g., industry or region Skills-based routing to address specific needs within established queues 	<ul style="list-style-type: none"> Context-sensitive IVR with dynamic menus IVR confirmation of activities Call time expectation announcements
Level 1 "Basic"	<ul style="list-style-type: none"> Basic forecasting based on historical averages Staffing to meet weekly forecast 	<ul style="list-style-type: none"> General product systems training Apprenticeship customer segment training Emphasis on standardized tasks, policies, procedures Agent evaluations during Q&A sessions 	<ul style="list-style-type: none"> Manual job aids, e.g., reference binders Single workstation for multiple systems access Access to basic customer and transaction data Stable system availability 	<ul style="list-style-type: none"> Complex calls transferred to more experienced agents Inquiries referred to agents familiar with a customer Warm call transfers 	<ul style="list-style-type: none"> Consistent menu optioning Balanced tree options (under 4 deep) Capability to opt out of menu selections 24 hour access

Source: Booz Allen Hamilton

Best Practice 5: Creation of Cross-Functional Linkages

Best-in-class service centers forge effective cross-functional linkages that place them solidly within the mainstream of the business:

- Ongoing four-way dialogue among product development, sales, operations, and customer support that flows relevant information across the functional boundaries in a timely manner (e.g., immediate notification of outages from operations or the communication of unmet customer needs surfaced by service center agents) (see Exhibit 3, page 3)
- Structured forums for collaborative decision-making about issues that have cross-functional ramifications (e.g., the design specification of a new product offering or the adjustment of service levels in the service center)

Such cross-functional linkages integrate the service center more fully into the organization as a whole, enabling it to respond more effectively to the needs of customers and internal stakeholders alike.

Best Practice 6: Optimization of Internal Operations

Best-in-class service centers achieve high levels of internal performance by mastering five operational basics:

- Balancing customer call volumes with agent availability
- Aligning customer service representative (CSR) skills to service requirements
- Positioning required information at the customer point of contact
- Optimizing customer call routing while minimizing handoffs
- Deploying service-centric voice response systems

The basics are interdependent, and shortfalls in any one will constrain the center's aggregate performance. For example, technology-driven performance improvements that only partially address people and process issues chronically under-deliver. Only when virtually all of the basics have been achieved will service centers see consistent improvement in costs, customer satisfaction, and value creation (see Exhibit 4).

Conclusion

Booz Allen has helped leading businesses improve service center performance across a range of service industries—often by implementing the six best practices discussed above. Benefits accrue across the business through increased revenue, customer retention,

and reduced costs. Our experience suggests that cost savings are often in excess of 25% and are achievable by redeploying existing infrastructure rather than making new investments. As a result, change programs can often realize benefits within 12 to 18 months.

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