

## Customer Service and Support: the Utilities Perspective

How service centers across Europe address operational efficiency,  
performance management and contact center technologies

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## Executive Summary

Webster Buchanan Research carried out in-depth research interviews with senior executives in the European customer service arena in November and December 2004, designed to assess the current and potential impact of technology in customer service and support. The findings provide insight into how successfully core technologies are being implemented in customer service centers, ranging from pioneering investments, through good practice to common stumbling blocks.

Interviewees were questioned on the challenges and benefits they had experienced in:

- > Managing the query to resolution process, including escalation
- > Blending multiple channels of communication
- > Providing customer and employee access to knowledge bases, and the impact on training
- > Performance management
- > Sharing data
- > IT Systems and implementation plans

More than 90% of interviewees are currently involved in some form of IT system enhancement or replacement. Their experiences provide invaluable advice for their peers going through similar projects where the risk of failure is high. Key findings include:

- > Many organizations continue to rely on "swivel-chair integration" between their different systems, where agents have to access multiple applications to complete a task, particularly in dispatching. However, one organization achieved a return on investment of 200% by fully integrating field service and the contact center, largely through savings in the field
- > Easy-to-use, intuitive IT systems can substantially cut technology training overheads—particularly where companies have just one central system to learn. One organization found training requirements for temporary staff shrank from 6-7 weeks to 6-7 days because of a simplification in the system set-up
- > One major challenge for utilities is to structure knowledge bases according to the way the customer thinks about looking for information. There is some evidence that providing an "inside out" approach—where customers and agents access the same knowledge base—can bring major improvements in customer satisfaction
- > While there is a high level of monitoring of basic performance metrics (call duration, call abandonment, response times) few organizations can see the value in tracking the full query-to-resolution process
- > Many utilities already segment the customer base to focus on lucrative key accounts or business customers. In such cases, structuring workflows and monitoring performance against commitments is key
- > With the high level of mergers in the sector, most utilities are still trying to consolidate contact center systems around a single platform. Disturbingly, nearly a third of customer service managers fear their new IT rollouts will not be able to replicate the functionality currently offered by their legacy systems

## Methodology

The research consisted of in-depth, free-form interviews conducted during November and December 2004 with senior management in 24 customer service environments. The interviews were ranged across five vertical sectors in both B2B and B2C environments, namely retail, utilities, telecommunications, financial services and hi-tech manufacturing. Interviews were carried out in eight countries either in English or in some cases, in local languages. Countries represented the major Western European economies including: UK; Germany; France; Italy; Spain; Ireland; Benelux; Nordics. Respondents were selected from senior management positions within target companies, including customer service directors, call center managers and operations managers.

Webster Buchanan would like to thank the following organizations for their help in conducting the primary research:

- > Call Center Managers' Association (CCMA) UK - <http://www.ccma.org.uk/>
- > CCMA Ireland - <http://www.ccma.ie/>
- > AECCCC Spain - <http://www.aecccc.com/>
- > CCMA Netherlands - <http://www.ccma.nl/>
- > AFRC (France) and ECCCO - (Europe) <http://www.eccco.org/>
- > Hewson Group - <http://www.hewson.co.uk/>
- > SQM Nordic - <http://www.sqm.se/>
- > International HELPdesk Associates - <http://www.rhion.com/>

We are also indebted to the 24 companies and their individual managers who took part in our study. Interviewees who gave up to time to participate included: NTL, Creative Labs, AVT, Schulke & Mayr, ICA, Continental, Raja, COIN, Loyalty Partner, Fortum Power, Watt Germany, RWE, Central Networks, Scottish Water, Abbey, Citigroup, Offentliche Braunschweig, BT, Chorus, Vivento and FourPlus.

## Introduction

Nowhere are the effects of consolidation being felt so profoundly as in the utility sector. Privatization across most European countries has resulted in the creation of utility groupings with diverse and complex structures, subject to stringent regulations which not only define the internal workings of the groups, but also set targets for efficiencies and quality in meeting customer requirements. With consolidation comes the challenge of bringing different companies together on a single technology platform to gain an integrated view of the customer.

In the midst of all this upheaval, utilities continue to look to the basics of reducing churn, improving cross-selling across multiple products and focusing on highest-value customers. Responses to these challenges are varied, with different levels of sophistication among the utilities we interviewed across Europe. But some common themes emerged including:

- > A majority of managers accept the need for higher levels of automation to cater for increasing complexity in the customer service operating environment
- > At the same time, most contact centers still struggle to rid themselves of old-fashioned, inflexible systems and siloed ways of working
- > Greater customer choice means those with better service (more communications channels, faster response times, higher proportion of one-step resolution etc) are able to differentiate themselves in meaningful ways

A number of factors are driving increased complexity, centered on the changing profile of the contact center. As recently as the mid-1990s, most service operations tended to be swamped with telephone calls from consumers and business customers, and their primary goal was to deal with volume at the most acceptable cost. Today, web-based self-service and email interactions account for a growing number of low-level queries while outsourcing or offshoring provide viable options for coping with volume issues. As a result, the retained contact center function is left dealing with queries which by their very nature are more difficult to resolve, often carry greater expectations (particularly where priority callers expect a high level of personal service) and concern information that may not be easily available elsewhere.

The second common theme is the increasing requirement to view the contact center from the customer's perspective and "learn from customers", as one retailer puts it. This challenges organizations to turn themselves 'inside out', so that customers looking at a website can view the same (non-confidential) information as a customer service advisor sees internally. Increased openness also helps create a sense of trust with the customer, which is particularly important in B2B scenarios.

Meanwhile, the constant drive to give customers more information through the channels they choose is an immense challenge for service operations, not least because they often have to build on older "legacy" systems that weren't designed for this kind of access. Almost all of our interviewees struggled with this issue. In many cases, mergers and acquisitions have complicated the issue further, creating multiple information stores which now need to be brought together.

As a result, more than 90% of our interviewees—including companies where the level of technology adoption is relatively advanced—are currently involved in systems rollouts, whether upgrades or wholesale replacements. In such a dynamic environment, the risk of failure is high. Perhaps not surprisingly, one large retailer we interviewed had gone so far as to close down its call center in an attempt to drive cost savings, and was dealing with queries only by email or from its website. While this kind of radical approach will raise eyebrows from a customer management perspective, it does reflect the scale of the challenge many companies face.

These different challenges are addressed in detail in the following sections.

## Part One: The complexity behind multi-channel centers

### 1.1 MULTI-CHANNEL OPERATIONS—THE DRIVERS

Cost will always be one of the key drivers for providing new "channels" of communication for customers—after all, once the infrastructure is in place, email management is an order of magnitude less expensive than the phone, and web-based forms are a level lower again. But in almost every case, the drivers for multi-channel initiatives are more complex, often centering on the need to increase capacity and improve customer satisfaction without incurring corresponding rises in costs. While many contact centers find themselves supporting more territories, extra product lines and providing added value services, budgets tend not to rise in proportion. Senior management, therefore, has to work smarter, increasing agent productivity and multi-skilling (see Part 1.2, page 6).

The phone remains the predominant channel in most companies for 60%-80% of communications, (although one interviewee has reversed that figure and now handles the majority of enquiries via email<sup>1</sup>). The remainder is handled by:

- > **Email**, which is both a channel of choice and a fall-back position—in periods of high demand, a natural migration happens away from the phone as the lines become jammed
- > **Self-service through Web-based Frequently-asked Questions (FAQs)**, which can help clear high-volume, low-touch queries
- > **Self-service through Web-based knowledge bases**. These vary in sophistication, ranging from key-word searches to complex natural language searches based on predictive knowledge, "intelligent" associations and "self-learning" systems. The latter require some expertise to implement—two interviewees had difficulty in engineering their knowledge bases to maximum effect
- > **Web chat and Web collaboration**. These techniques combine Web self-service with agent intervention and can be relatively efficient once the infrastructure is in place—one agent, for example, can handle multiple discussion threads. However, they are also resource intensive as they demand real-time responses, so some organizations prefer to offer the facility only to preferred customers. This kind of communication can be extended through secure portals and extranets, which allow partners in a supply chain to share data

### 1.2 TACKLING THE COMPLEXITIES OF CHANNEL MANAGEMENT

Implementing multiple channels is more than a technology challenge—it's a sizeable change management exercise in its own right, not least because it brings new dynamics and a requirement to blend in new ways of working. Not surprisingly, most e-commerce operations have grown up alongside but separate to the established contact center. In many cases, interviewees conceded that voice-only call center agents sit next to colleagues who handle email interactions on different systems.

Interviewees are divided over whether agents are able to switch easily from one system to another. One manager has her team rotating between the phone and email, but notes that more ambitious agents are less keen to use the phone as they perceive writing to be a more skilled activity. Conversely, others believe telephone agents are not necessarily qualified to write email responses (see box below). It's difficult to envision a future where the two techniques are not handled simultaneously, given that the methodologies for dealing with queries are similar, even if the technique is different. The question is how organizations can manage that change.

From the customers' perspective, of course, none of this is relevant—they simply expect to be able to make an enquiry in one channel and pursue it in any other of their choosing. But for organizations that typically evolve in self-contained product, departmental and channel "silos", that can require a complete rearchitecting of process flows. This is the point where many IT applications—and indeed much of the underlying infrastructure—begin to struggle, and is a major driver for

<sup>1</sup> See "Customer Service and Support: the Hi-tech manufacturing perspective", by Webster Buchanan Research February 2005 [www.websterb.com](http://www.websterb.com)

much of the current replacement activity.

Those organizations that have made some progress on blending interactions usually have a single agent taking ownership of a case or ticket, then route all subsequent contact to that agent. The more complex the queries, the harder this is to do manually—increasingly, therefore, companies rely on their systems to decide how queries should be routed and escalated. End-to-end resolution requires automated workflows and a means of blending in the unstructured, manual activities (such as a phone call or email) that will arise in the process.

Interviewees point out that the final challenge in multi-channel service is managing performance. Service level commitments are well established in the traditional call center environment, and managers are well versed in meeting them (see *Part Three, page 9*), but alternative channels raise new questions. Email, for example, generates issues such as:

- > What's the optimum response period after initial acknowledgement? What's the bare minimum level of response?
- > Should the response contain hypertext links or sections of text and diagrams?
- > Should the company follow-up to ensure the query was resolved?

#### MARGIN OVER VOLUME

RWE is one of the leading multi-utility companies in Europe, with operations in Germany, the UK, Central and Eastern Europe and the US water sector. With electricity, gas and water becoming commodities that are difficult to differentiate, the company operates a principle of "margin over volume", focusing on customer groups with long-term high value potential. It segments customers into private, business, key accounts and other energy utilities, redirecting the latter two segments to key account managers.

Customers are encouraged to use a number of channels and the utility also offers added-value services such as a secure portal, where business customers can view their records and conduct some interactions with the company around energy supply. It has provided web chat facilities to some private customers for specialist products such as heat pumps, solar power and low-energy buildings.

Interactions can still be better blended, however, and it's in the process of improving its CRM system, critically around business customers. The benefit of multi-channel has been in increasing the frequency of interactions and access to information.

## Part Two: Arming your agents—knowledge management and training

### 2.1 KNOWLEDGE OVER SCRIPT

While early contact centers made heavy use of scripting, today managers prefer to arm agents with the tools they need to answer queries but leave the precise path they follow from query to resolution up to the individual. This is partly because agents are increasingly dealing with multiple query types—service information, product details and in some cases, billing—and multiple customer types. But it's also recognition that agents have to be sensitive to the differing requirements of customers.

As a result, knowledge management and training will continue to climb up the order of priorities within the CSS environment in coming years. Aside from the simplest of product lines and query types, agents need in-depth background on their organization, its processes, and its products and services—as well as knowing where to go to find out more.

### 2.2 ADVANCED KNOWLEDGE MANAGEMENT

Linking knowledge management (KM) systems with customer support can significantly enhance productivity by automatically presenting the agent with information relevant to the customer, based on their product profile. But while contact center managers would like to have their KM systems better integrated into their CSS, in most cases it's a separate, standalone platform. In many instances manual, paper-based catalogues are still used, significantly impacting agent productivity. Others have a basic intranet site which can be searched by agents, but does not allow natural language searches.

Some interviewees have begun to make the same knowledge base they use internally available to customers over the web, optimized to improve the customer experience. The system requires constant monitoring and improvement—if users have to wait more than five seconds for a response, then something's wrong—and the information needs to be provided in the way a customer wants to view it, rather than the way the organization's processes typically generate it. One or more dedicated staff will usually be responsible for managing the knowledge base.

Other examples of best practice include:

- > Employing case-based reasoning, a form of artificial intelligence where the system acts like a well-informed agent
- > Pushing out new and relevant FAQs to profiled users
- > Allowing users to rank particular answers for usefulness as part of an iterative improvement process
- > Grouping answers in different ways, so users can search not just by product or service but by issue or area

The key step here is to ensure that the system is used as a matter of choice both by customers and internally by agents. As one interviewee comments: *"If it's easier to turn round to your mate who's sat next to you and ask them for the answer, then you've failed."*

#### COMMUNITY SPIRIT

Scottish Water provides water and sewerage systems to 5m households and businesses across 98% of Scotland. With such a broad geographic reach, it's no surprise that its key challenge going forward is the structuring of its knowledge base according to issues encountered by different communities, such as planned maintenance. Having already deployed an online database with records of previous calls, past water service problems and current repair projects, the company now wants to provide more information on-line at an issue level associated with a particular community—for example, sewerage works which are giving off a bad odor.

### 2.3 TYING KNOWLEDGE MANAGEMENT TO INCENTIVES AND TRAINING

One method of encouraging usage of the KM system internally is to build specific training programs around it, helping agents understand short-cuts and encouraging them where relevant to think laterally. This should be a two-way process—if a particular query or set of queries is being raised regularly, it may be that the system needs to be adjusted.

A further, more integrated employee management technique is to tie incentives and pay grades to knowledge, so agents can be incentivized not just on the volume of calls they handle, but on the type of call they're qualified to deal with, the quality of their response and their ability to find their way around the system. A lower-grade employee might be targeted to complete a certain number of calls in an hour, but the next grade will be expected both to complete the calls and to hit a certain quality threshold.

Whether tied to product knowledge or not, investment in training in the contact center remains high, both in upfront and ongoing training. Most contact centers we interviewed spend an average of four weeks training new starters before they're let loose alone on the customer base, usually beginning with face-to-face classroom training and progressing to on-the-job training. Some interviewees stress that if companies can keep the technical element of training to a minimum—preferably by providing just one central system to learn, and a simple, intuitive user interface—then more training hours can be spent on other issues such as familiarizing agents with new products. One manager at a seasonal business found training requirements for temporary staff shrank from 6-7 weeks to 6-7 days because of a simplification in the system set-up.

E-learning—which replaces classroom-based training with online, often self-paced training—has not yet enjoyed widespread take-up in the contact centers we approached. In part, that may be down to the initial cost—while it allows organizations to widely disseminate information at a low price, there is a sizeable upfront requirement for infrastructure investment. Where it is being deployed, one key benefit is that it allows agents to access learning modules in bite-sized chunks at quiet periods, without having to leave their desks.

## Part Three: Monitoring and managing service levels

### 3.1 CORE PERFORMANCE MANAGEMENT

It's with good reason that customer service operations—almost without exception—keenly monitor the basic performance of their contact centers. Research repeatedly shows that the single biggest driver of dissatisfaction is leaving callers waiting too long<sup>2</sup>, and there's a close correlation between call abandonment rates and churn. While there's inevitably debate about what "too long" actually means—a definition that will differ from industry to industry—on average managers strive to have a high percentage of calls answered in less than 20-30 seconds.

What happens after the call is answered, however, is more difficult to monitor. Four core conclusions from our interviews were:

- > Process-based measurement tends to be relatively easy. Issue resolution, for example, can be fairly easily measured in terms of the number of steps required and length of overall interaction. Many strive for first time resolution and consider it a negative if a customer has to call back
- > Monitoring and managing individual performance is also relatively easy at a basic level (call volume, call duration etc.) and can usually be tracked in the system. However, the bigger challenges center on preserving employee rights in some European territories, notably Germany and the Nordic countries. One retailer pointed out that measuring individual performance would require consultation with trade unions, and so prefers to focus on team performance and other outputs
- > Monitoring performance at this level is all about efficiency, both in distributing the information to team leaders and providing the necessary analysis to understand the data. One company we spoke to sends a message to its managers on their Blackberry handhelds at 9.30am every morning summarizing the previous day's performance stats. With this degree of visibility, performance management becomes a high-profile, competitive and routine discipline
- > Some interviewees said they have struggled to set up reporting mechanisms, particularly when implementing a new system—one utility said it had taken a significant amount of time to develop the suite of reports it needed because of other priorities. But research conducted by Webster Buchanan in the business applications field consistently shows that improving management information is one of the top three drivers for investment in new applications, so failure to deliver significant improvements in that field will be highly visible

On top of basic reporting measures, each contact center focuses on specific service-related issues that differ for each industry sector and individual company. Examples include:

- > Several utilities said they preferred to focus on outputs—reflected in customer satisfaction and brand perception surveys, for example—as opposed to measuring individuals' performance
- > One utility we interviewed had been tasked by its regulator with making significant changes to its cost base, and focused as a result on monitoring the level of service visits it was scheduling. One technique was to ensure that a second support tier filters all first line requests (see box, page 12)
- > One retailer is focusing hard on both monitoring and managing the business impact of contact center decisions on the

#### SERVICE MONITOR

Watt Germany, a Frankfurt-based energy provider recently purchased by leading German utility EnBW, is focused on optimizing service levels for key business customers.

However, in common with most utilities today, monitoring and managing service levels is manual at some point and left to the employees. "Information on the customer is passed from the CRM system to the billing system," says marketing manager Uwe Gerstner. "Logic has been customized into the workflows, which trigger manual actions. SLAs for business customers are simple and have little need to be monitored. Key account or industry businesses get individual SLAs which are monitored by key account managers." Gerstner says the company is looking for better integration between the CRM and billing systems.

<sup>2</sup> MORI research on behalf of the UK's Citizen's Advice asked 2,253 people their top complaints with call centers

bottom line. If faulty items are repeatedly replaced rather than a component being sent out, for example, the cost to the business can be significant.

### 3.2 QUALITY AS A DIFFERENTIATOR

While many components of core performance are relatively easily measured and reported on, monitoring the quality of a response and its impact on customer satisfaction and loyalty has always been far more difficult. Most companies conduct third-party customer satisfaction surveys, but it's not always easy to isolate the impact of the contact center itself. As one interviewee pointed out, the contact center is just one element in a long chain of customer interactions, all of which affect satisfaction. That said, one interviewee sends out 2,500 emails to customers who have contacted it in the last month asking about various areas of satisfaction, and receives a surprisingly high 15% response rate.

Most see improving customer satisfaction as part of continuous improvement and quality management. The new ISO quality standards<sup>3</sup> place continuous improvement at the center of customer contact and require companies to monitor customer satisfaction through surveys.

### 3.3 COST CENTER OR PROFIT CENTER?

Despite years of talk about turning the contact center into a profit center, the vast majority of companies continue to operate their support operations first and foremost as a service operation. Several interviewees are currently investigating introducing cross-selling and upselling: one has done so, and was largely unsuccessful. The majority of interviewees view any sales they make from the service center primarily as an opportunity to improve satisfaction, rather than a core goal. That informs strategic direction within the contact center and influences several important factors. For example:

- > Where cross-selling/upselling is catered for, agents are trained to spot an opportunity and are provided with the tools to book sales—but they are not incentivized on making sales
- > The sales opportunity is not marketed within the service operation: it tends only to be introduced reactively if the customer enquires, or on an ad hoc basis if an opportunity arises
- > The channel is not targeted on revenue
- > Service center agents are not prime users of their company's sales system, but are usually able to access it to offer a quote, product information and enter orders

Some interviewees were firm believers in the principle of transforming their service center into a revenue-generator long-term—as one remarked, "every issue is a chance to sell." But they also argue that such initiatives need to be backed up by a powerful customer database so agents know exactly which products the customer has bought before, where their areas of interest are and have some idea about their likes and dislikes.

<sup>3</sup> The ISO 9001:2000 standard for a quality management system includes a new requirement to measure customer satisfaction. See <http://emea.bsi-global.com/Quality/Overview/9kDifferences.xalter>

## Part Four: The systems jigsaw—data and process integration

### 4.1 "SWIVEL CHAIR" INTEGRATION

The phenomenon of swivel chair integration—where agents need to move to another computer, open up a different application or phone up a colleague to access further information or complete a transaction—is a symptom of the increasing complexity of the contact center. Teams often communicate with each other by email—or even by filling out paper forms and sending them in the internal mail—which means that data is moving around the organization in an unstructured fashion, rather than being stored in one central system.

Managers try to work round these issues by having calls routed to different teams on multiple queues (one queue for billing enquiries, another for warranty calls and yet another for complaints). But our interviewees expressed their concerns about the limitations of this "silo" approach to customer support. They include:

- > The organization as a whole has a disjointed view of the individual customer. Agents may be unaware, for example, that a customer holding a portfolio of products has complained about one service offering and is still being cross-sold another product
- > The organization cannot take a view of all its customers and business partners across all its products and channels
- > Jobs can fall between the cracks in the handover from one silo to another, particularly where there are manual systems. A customer can find a process falling down, for example, simply because an agent forgot to print out a request and forward it
- > Real-time reporting of the status of an enquiry is impossible where process flows are manual or disjointed. This is a significant barrier to introducing meaningful self-service for customers or business partners

Integration between different systems typically takes place at three levels. The most basic form sees data passed from one system to another in batches, a slow and cumbersome process that's usually carried out overnight. One interviewee points out that an unfortunate symptom of extended automation—the production of vast quantities of data which need to be integrated with other systems—means the system becomes a victim of its own success, and overnight batch processing can still be running the following morning.

At the next level, application to application integration sees two or more systems tied together through "middleware"—this works well in a relatively simple exchange of data, although it can be limited in a more complex environment. The third level is business process management, where, with advanced workflow systems, business processes can be adapted irrespective of what happens with the underlying IT infrastructure.

A good proportion of companies interviewed have made the decision to replace their entire system, partly in order to establish a single database and to help them reorient their businesses along customer-facing lines. This will not, however, solve all of the integration issues. There's no guarantee that a single product suite will be able to provide all the functionality that existing systems offer, so some older applications may still have to be kept running and integrated. The issue of replacing legacy systems is covered more fully in Part Five.

### 4.2 CONNECTING TO THE WIDER BUSINESS

Customer service and support operations need to access information from—and pass information to—other business functions, particularly in areas such as warranty returns, field service, distribution, product management and quality.

Yet the connections between service and support and the wider business, while dressed up in various guises, are mostly manual. Interviewees told Webster Buchanan that:

- > Where field service is brought into a customer interaction, the customer support agent will often have to open a separate dispatching application or send a message to a different department. In high-performing organizations, field service is connected in real-time to customer service. This can bring savings on its own merits by reducing the workload of field engineers through better communication at the point of contact
- > In manufacturing and distribution-oriented environments, much of the communication regarding product faults is couched in the terms of quality—continuous improvement, ISO 9001 and total quality management. Information from the contact center is gathered together on a regular basis and sent off to the "black box" that is the quality department. Some companies are building systems to automate this feedback loop
- > At an organizational level, it's sometimes as hard to bring different business functions together as it is to link the underlying technology. Team meetings between customer service and other departments can degenerate into a forum for complaints. Ultimately, there's little point focusing on connecting up the customer service department if the processes and culture do not support it.

#### MAKING PROMISES

Integration between customer service and field service is the holy grail for utilities because it's a direct driver of customer satisfaction improvements. But it can also lead to dramatic cost savings through reductions in field service operations.

Scottish Water has implemented a single database as part of a wider change program—and seen customer satisfaction shoot up as a result. But Cheryl Black, customer service director, points out that changes in processes have had the biggest impact: "As with any change program, technology is actually the simple bit.

A £3m customer management and field service project, dubbed Promise, was embarked on in 2002 shortly after the founding of the company. The public group had been formed from three regional authorities with strict regulation setting out a four-year target of reducing operating costs by 40%. But Black adds: "We were always clear that it would not be cutting costs at the expense of service."

Savings, projected to amount to more than 200% by April of this year, will come from changing the way engineer visits are scheduled. For example, night-time repairs cost three times more than service calls the following day, and low-priority or routine repairs can be scheduled for a few days' later.

With Promise, if call center staff can't resolve an issue over the phone, they schedule an engineer's visit and set guaranteed response times to resolve the issue. A second-line filter is also brought into play, with higher-level agents checking that the problem cannot be resolved over the phone. As a result of the program, agent productivity and first time resolution has increased dramatically, helping the company consolidate its three sites into one and also slimming the operation down.

## Part Five: Vendor selection and building the business case

### 5.1 REPLACING LEGACY SYSTEMS

Most contact centers have a large number of legacy systems and databases, often inherited through acquisition and mergers. Legacy systems tend to bring a number of problems, including:

- > Difficulty in integrating with other systems, such as marketing databases. Technical solutions are emerging to tackle this as we outlined in Part Four, but this may represent a significant investment in IT infrastructure technologies
- > Difficulty in releasing information to senior management and other business functions. For example, new types of reports may need to be built by the IT department because of the technical complexity, whereas newer systems can often be configured and adjusted by users
- > Higher cost of maintenance—older, proprietary platforms tend to require specialist skills and training and may have less flexibility to meet changing business requirements

At the same time, however, some legacy applications will have evolved over time to meet very specific business needs, and contain rich functionality that's hard to replicate.

Organizations are taking a number of different approaches to solve these kinds of problems. Some develop their own user-friendly front-end systems that pull data from different legacy applications: others attempt to implement a new, all-embracing packaged application: a third group combines both approaches, selectively replacing the least efficient legacy components of their IT set-up.

### 5.2 SELECTING VENDORS

Whichever purchasing route organizations take, there's a widespread acceptance that systems will have to be customized to meet their specific needs. While some interviewees were able to simply "configure" the system themselves (changing fields, for example, rather than amending the underlying software code), in other instances between 50% and 70% of the system needed to be changed. That demonstrates, perhaps, just how hard it is for vendors to meet contact center requirements "out of the box".

This willingness to customize may also help explain why, in general, organizations say they do not look for suppliers with particular expertise in their industry, even though they recognize that they have specific sector-oriented requirements.

In many cases the choice of system is forced on the contact center manager, often because it's in use elsewhere in the organization. Where the service operation does influence the purchasing decision, interviewees say they tend to look for companies that can solve their specific pain points—such as managing complexity, providing better access to data and so forth—as opposed to seeking organizations with a more grandiose vision of enterprise-wide customer relationship management. In most cases, purchasers are keen to make contact with reference sites for tangible evidence.

As Ian Gillman, head of customer service at Abbey, says: "This is such a dynamic environment that we're never satisfied with what we've got. Our systems are not as we would like them to be but they are very robust. We've got an innovative management team that always looks at what we've got and asks what benefit we will get if we change it for the next generation."

#### PRAGMATIC APPROACH

Scottish Water's requirement when it was looking for a partner to provide a customer service system was very specific. Cheryl Black explains: "We were looking for a supplier with a pragmatic approach as opposed to one that would sell us an all-singing, all-dancing CRM system. We took functionality out of the box and the first modules were implemented in 90 days, which was very effective. It was long enough to give us a decent result, but short enough to keep up the momentum."

### 5.3 RETURN ON INVESTMENT

With most companies still viewing their contact centers as an overhead rather than a revenue source, return on investment measurements inevitably focus on cutting cost. But this is not just an exercise in number-crunching. Several interviewees argue that by bringing in tangible and significant improvements in efficiency, they will be able gradually to shift board-level perception of the contact center, moving the focus away from pure cost control of an overhead to a point where the center is seen as an integral part of product and service delivery.

These efficiencies come from a combination of sources:

- > Re-engineering operation, for example by integrating the contact center more closely with field service
- > Improving agent productivity so they can deal with more calls, or reducing the volume burden so that agents can spend more time on difficult calls
- > Consolidating contact centers
- > Opening new channels to the customer to improve quality of service and satisfaction

## Conclusion

The contact centers we interviewed across Europe exhibit widely varying levels of technology adoption, with the vast majority currently investing in systems replacements or upgrades. Based on their analysis of the challenges they face, combined with their current and future plans and examples of best practice, a number of broad conclusions can be drawn:

- > Utilities face major service and support challenges, but targeted application of technology can help cut through them and increase agent productivity
- > Integrating different customer-facing systems and feeding information into the rest of the business is a growing priority. Organizations that have so far glossed over the business and technical challenges will come under increasing pressure to start tackling them, if only because of the dramatic cost savings and efficiency improvements experienced by their peers
- > Structuring knowledge bases so customers can easily find the information they need can be difficult. But knowledge management—both for employee and customer access—is steadily climbing up the agenda
- > Most organizations monitor a combination of standard operational performance metrics and sector-specific indicators. However, focus will start to shift to tracking more sophisticated measures such as the full query to resolution process
- > Those utilities which focus on more profitable business customers will increasingly be challenged to manage and demonstrate their service level commitments to these key accounts as competition increases
- > Few utilities treat the CSS operation as a potential profit center, and those that do often choose not to incentivize agents for revenue generation. Even so, by realizing efficiency gains, there's an opportunity to move senior management focus away from pure overhead control to view the center as an integral part of product and service delivery.
- > Replacing well-embedded legacy applications and multiple platforms with integrated customized packaged applications is a challenge—but the high volume of call centers currently undertaking major system upgrades or investing in replacement applications suggests it's becoming a business priority

## Case study: Watt Germany

Like many in the energy sector, former Swiss-owned provider Watt Germany was recently the subject of a takeover as CKW and Energiedienst transferred ownership of the company to EnBW, the third largest energy company in Germany. For the energy retailing outfit, formed in 1998, the change of ownership means a reassurance it will keep the focus on service as the number one competitive differentiator for its high-value industry and business customers.

Key to this focus is allowing customers to choose how they want to interact with the company—the greatest volume of activity is still received by fax in response to direct marketing campaigns, followed by e-mail and then phone. Marketing manager Uwe Gerstner says: "Multi-channel is key to the customer as they are approaching the organization by their favorite channel, then they decide about being contacted by their preferred means and channels."

Despite experiencing over 100% growth last year, Gerstner says competition in the sector is intense: "Pricing policies are not really transparent and gaining market share from competitors is important, so we focus on industry customers and key accounts." Customers are segmented into 11,500 business and 1,500 industry customers and 50 key accounts. Industry customers and key accounts are incentivized with premium service offerings and consulting. "These are our absolute favorite segments and a focus for future growth."

In addition, customers are further segmented and analyzed according to a number of criteria including:

- > Usage of services
- > Potential for upselling
- > Profitability

Business customers are served by a call center, while industry and key accounts are redirected to key account managers and sales. Gerstner says: "The company policy is to have one face to the customer. Self-service is offered on the Watt extranet—most industry customers are utilizing it and it works really well even though we don't offer any incentives."

Watt's key challenge is improving the automatic workflow between customer service and support and billing systems, and it is currently upgrading to improve this. It's also looking to close some gaps between the Web and sales. Gerstner says: "The process from sales through the CRM system to finance should be workflow managed and [more] controllable. Business transactions currently have to be steered [manually] to some next levels for resolution. We are looking for better automated escalation management."

## About BMC Software

BMC Software, Inc. [NYSE:BMC], is a leading provider of enterprise management solutions that empower companies to manage their IT infrastructure from a business perspective. Delivering Business Service Management, BMC Software solutions span enterprise systems, applications, databases and service management. Founded in 1980, BMC Software has offices worldwide and fiscal 2004 revenues of more than \$1.4 billion. For more information about BMC Software, visit [www.bmc.com](http://www.bmc.com).

## About the Authors

Webster Buchanan Research is a media and market intelligence company specializing in the practical implementation of business strategy. It focuses on the deployment of information technology as a tool to deliver business benefit, primarily in the fields of Financial Management, Customer Relationship Management, Human Capital Management, and Business Integration. The organization is based in London, San Francisco, and Hong Kong. Visit [www.websterb.com](http://www.websterb.com)

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