ABOUT THE CENTER FOR CUSTOMER-DRIVEN QUALITY

The Center for Customer-Driven Quality (CCDQ) is internationally recognized as the premier research and education organization for behavior in customer access and access channel management issues. Our partnership between our educational/research institution and the corporate world is what enables us to provide leading edge research and education to the ever-critical customer contact/service industry. Our many business partners utilize our data and research capabilities to assist them in making critical decisions for their customer support functions.

The Center was founded in 1989. The Center is dedicated to helping its business partners achieve the highest quality customer access whether it be for sales and product distribution or for supporting customer service and promoting customer loyalty. Our commitment is to provide issue-focused research and education to our corporate partners in the following areas:

- **Access Channel Management**—Providing education and research on the many issues related to managing and integrating the multiple customer access channels (Voice, Electronic and Live) offered by companies.

- **Customer Relationship Strategy**—Assisting our business partners in alignment of their investments in people, process and technology with a customer-focused strategy.

- **People**—Supporting our partners in building commitment from their customer contact people to “own” the “Total Customer Experience,” and continually enhance each customer contact.

- **Technology**—Offering education and research on how technology can enhance each contact with the customer and how technology can enable the customer contact people to provide the best possible total experience.
Our mission always has been and continues to be three-fold in pursuit of excellence:

- **An Educational Focus**—The Center determined that professional skills are necessary for managers and frontline personnel to deliver outstanding customer support. The Center promotes educational training by offering training courses at Purdue University or at company sites. The Center’s goal is to assist companies in improving customer service and support effectively and efficiently.

- **A Research Focus**—The Center will be focused on several areas of research. The Center initially began it’s research by examining the call center industry. With the advent of the Internet and its resulting offer of an electronic channel that positions a company’s website as a sales and service access channel today the Center’s research explores developing concepts such as e-commerce, access channel management, customer satisfaction, technology and lifetime value of customers, to name a few.

- **A Service Focus**—The Center provides companies with services that are typically expensive and time consuming to do in-house. The Center’s staff and students offer an excellent source of knowledge and energy to complete such tasks. Past projects are highlighted on the Project List section of the website.

For more information on any of the services offered above, please contact the Center Director, Dr. Richard Feinberg at rrf1@purdue.edu or email the Center staff directly at ccdq@cis.purdue.edu.
CENTER LEADERSHIP

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The Annual Trends Report is an executive report exclusively distributed to Affiliate Members of the Center for Customer-Driven Quality. This report is a result of research and observations conducted at the Center throughout 2002. The purpose of this report is to synthesize and analyze all of the information collected into a useable format for contact center executives.

We would like to thank all of the 2002 Gold and Silver Affiliate Members of the Center for their support.

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Director's Summary

13 Trends Paving the Road to the Future of CRM

As we see it, there are 13 trends that dominate the strategic thinking and operations of the top trail-blazing companies that value customer service. These companies:

1. Develop Strong Economic Segmentation of Customers
2. Create Closed-loop Processes
3. Employ Better Institutional Memory
4. Increase Customer Collaboration
5. Fight the Information Battle
6. Create Touch-point Alignment
7. Get it Done!
8. Utilize Real-time Information Management
9. Determine Strategic Customer Listening Points
10. Revisit the Balanced Customer Scorecard
11. Own Responsibility for the Customer’s Experience
12. Trend-spot
13. Encourage Entrepreneurship

Trend 1: Develop Strong Economic Segmentation of Customers

This concept is the most important principal for CRM. The idea behind economic segmentation is relatively simple; however, the execution is frightening to many. Economic segmentation means that companies know the value of each customer (including sales, profits, and revenue) and use that information to strategically enhance probability of purchase, repurchase/loyalty, and wallet share. For contact centers, this means that when the call, e-mail, or web contact is made (or even before, if possible) the CSR has an understanding of the customer's level of importance. In addition, call centers should have a differential strategy to recognize degrees of importance.

Economic Segmentation is so effective that it is the top trend in our list. The reason is quite simple: Without knowing the economic value
of a customer, how can a business make a realistic decision about that customer? Here are a few examples.

**Example 1:** My car dealer made me come back three times, stand in line three times, tell the same story five times (twice on the phone prior to the three repair visits), not have a promised part two times, and didn’t call me back as promised four times. My dealer then replaced a car part that I didn’t need because the repair guy hadn’t spoken to the repair manager, and they refused to deduct the cost of the unnecessary part! This was two weeks before my wife and I were going to buy 80k worth of cars.

Was the $7.89 (the cost of the unnecessary car part) worth risking all this? Definitely NOT. But the people who worked in this dealership did not realize that each customer has a lifetime value. Every customer who walks in the door has a value that can be calculated based on what they have purchased, and they have a future value based on what they spend after 1 year, 5 years, 10 years, and 20 years.

If this dealership had kept records, employees there would have seen that my wife and I had bought 6 cars over the past 20 years and were likely buyers in the future. Because of this experience, I will make every effort to find another dealership to buy my cars. That dealership lost a valuable customer.

**Example 2:** If a customer is on the phone and angry over a $100 charge, wouldn’t it be nice to know if he was worth $5 or $150,000 in profit per year? A number of years ago, a Purdue intern at a GTE call center in California got a call about a $.59 overcharge. After discussing the charge, the student (as she was instructed) told the customer that unless he paid his bill, their phone service would be shut
off in three weeks. The student put in the order, and three weeks later, the service was shut off. It just so happened that this customer represented the largest brokerage firm on the west coast and GTE's second largest client. Needless to say, the CEO of the brokerage called the CEO of GTE and service was turned on within a nanosecond (in telecom time). Unfortunately, the problem was not so easily solved for the intern. The center manager admitted that there was no way for a CSR to know the size and value of the customer from the screen. The intern had simply followed company protocol for the information that she had, but she was blamed and fired for the incident anyway. This scenario is all too common in the business world.

Example 3: On the positive side, some airlines actually have the right idea. Valuable airline customers are given a special “chairman” number. When these customers use their number, they get through quickly; the airline knows their names; they are able to change flights without any hassle; and they are upgraded without asking. These customers feel like the airlines value their patronage. They have a positive experience with these airlines and as a result, it is likely that “chairman” customers will fly on the same airlines.

What we are trying to say is that companies have the opportunity to strategize according to potential customer value. It starts with value identification. Without that, special treatment cannot be offered, such as promotions or reward programs. Valuable customers should be rewarded, not only to let them know that their business is appreciated, but also to retain these customers in the face of competition. Because many companies do not identify important customers, they often don't realize when these customers are lost to competition.
**Trend 2: Create Closed-loop Processes**

The technical explanation for closed-loop processes is that every customer contact has a predetermined sequence of steps leading to closure of the customer contact as well as involvement and exploitation of all other sales, marketing, and business change opportunities. Now what does all that mean?

Why is it that every time customers call American Express and give them their secret ID, they have to repeat it when they are transferred to a live person? Why do people have to repeat their problems to every customer service person to whom they are transferred—especially when the company may have dropped the ball in the first place? Why is management frequently unaware of customers’ problems? Why?
The answer is simple: There is no standard set of practices for contacts—no closed-loop processes.

Companies who understand this concept capitalize on important opportunities to learn more about their customers and how to improve their contact experience.

**Trend 3: Employ Better Institutional Memory**

Institutional memory is closely related to closed-loop processes. It means that every customer contact is logged, processed, tracked, shared, disseminated, and acted on. Information is available to anyone who needs it at anytime. When customers call, the CSR can see their complete history with the company. This information is a strategic weapon—a corporate asset. Root-cause analysis of problems should be a strategic concern, not a monthly management activity.

**Example:** In speaking to the “BIG” manager in the local auto dealership, we asked if he had any idea about what the top 10
consumer complaints were. He had no clue—the 23rd largest auto dealership in the country, and he had no clue. Imagine the possibilities if he had known the 10 biggest complaints and had addressed them.

**Trend 4: Increase Customer Collaboration**

This concept involves evaluating operations that can be streamlined (often saving time and money) by enabling the customer to participate. This is, of course, the reason for IVR and speech recognition. When they work, they are a thing of beauty. When they don’t work, however, they are a thing of ultimate customer torture.

Unfortunately, many customers have had bad experiences with IVR’s and speech recognition. To avoid this situation, companies (prior to implementing the technology) should research how customers want to use the IVR/speech recognition tools. If the technology is already in place, companies should research ways to improve it. There are always ways to change IVR/speech recognition menus to make them better. For example, many companies should get rid of the long explanations about how the menu has changed. Just make the customers’ options obvious and brief, and people will appreciate the convenience more than the explanation.

**Trend 5: Fight The Information Battle**

The battle in tomorrow’s market place is knowing how to properly utilize information. Very few companies capture consumer information. And if they do, they do not know how to use it correctly—they don’t recognize which information is important to them. Companies should focus on collecting important information and purging superfluous information. This will help companies to see more clearly where they need to take action.
Our research clearly shows that customers will supply information when it makes a difference for them. What information can companies collect that will do just that for the customer? (i.e., make a difference?) For example, Amazon.com collects information about their customers' book and music preferences and then offers them suggestions about books or music they might enjoy.

Our research also indicates that call center personalization (i.e., knowing useful information about the caller prior to the call) increases satisfaction after the call by at least 25 percent. It also increases the customer's intent to repurchase the product or service by 35 percent. On websites, increased personalization increases average order, conversion to buyer, and retention/repeat purchase.

**Trend 6: Create Touch-point Alignment**

This is so basic that it is perplexing why some companies still don’t do it. Touch-point alignment means that customer contact channels are integrated such that e-mail, in-store, web, wireless (soon), and phone are all available to anyone in an organization in real-time. When touch-points are aligned, the company presents a united front to customers. When this tool first became available, many retailers kept their Internet business separate from their store business. There may have been some good reasons to do this (e.g., tax reasons, salary, and option issues), but these reasons did not accommodate the needs of the customer and ultimately hurt these businesses.

Importantly, touch-point alignment helps employees to feel more confident because they have necessary information to better serve customers. For example, this alignment allows CSRs to order from any store inventory at any location. That way, if a product is not available in one store, CSRs can order it for a customer at another one. The...
customer is happy, and the CSR feels confident that he/she has been helpful. And when a CSR feels more confident, they become more competent. When they feel more competent, they feel more integrated and involved in the company. The customer and the employee are both satisfied—simply because of touch-point alignment.

Examples: Having touch-point alignment of products, services, and information from all contacts available to the CSR (and any/every employee) does the following:

1. The store inventory at any Men’s Warehouse store is available to any employee. Thus when the “cool deep-blue short” was not found in the Merrillville stores in my size, the sales associate was able to find, order, and mail out the shirt from another store. I said “cool” when I got the shirt in the mail three days later.

2. When Staples did not have the printer cartridge for my printer in the Lafayette store, we went to the terminal and ordered it via Staples.com. I received it in the mail three days later, and I did not have to pay tax or shipping.

3. I bought a book at Borders.com, and it came in Portuguese. (You might ask “why did I order a book in Portuguese?” --it is a long story --e-mail me if you really want to know.) I realized that there was no way I could read it. I was allowed to return the book to three local stores, avoiding the cost and hassles of shipping.
When touch-point alignment is working it is a beautiful thing. On the flip side, when touch-point alignment is not working (and it is not for most companies), it is ugly and leads to customer dissatisfaction.

How do you explain to a customer the following (and these are actual quotes that I have received):

1. “I know the company has the same name, but we are different companies.”

2. “I know you can buy it for $50 cheaper on the Internet, but I can’t match the price.” (This was the same company, same product, and the Internet pricing included the shipping fees.)

3. “I know you have entered in your social security number three times, but each time it is a different system.”

4. “I have no idea why this is not in your record. I think they erase it every three days.”

5. “Let me check your record,” 30 minutes later—and when you are waiting 30 minutes is a long time, “oh yes--it is just as you described it.”

**Trend 7: Get It Done!**

This simply means to answer the question; solve the problem; fix the “thing;” send the information; and tell the customer what to do next. The customer has a problem that needs to be fixed as soon as possible, so fix it! Companies sometimes complicate the matter, but why? One
Director's Summary

reason could be because they have built up the customer contact bureaucracy to the point where it has a life of its own.

The beauty of six sigma campaigns (i.e., programs that are developed to improve quality so that mistakes are no higher than six in one million), when used correctly, is that companies can minimize the reasons for why a customer needs to call companies at all. The end of consumer affairs will occur when companies do everything right and customers have absolutely no need to contact companies. Currently, however, companies accept the situation that they may receive one million calls and never ask about the cost of eliminating 999,999 of them.

All our research clearly indicates that the number one factor in customer satisfaction is results—solutions to their problems. Get it done!

Trend 8: Utilize Real-time Information Management

To what extent is the information in a call/contact translated into strategic business decisions? To what extent is the information in the center relayed to marketing, sales, legal, etc.? What if this information was really important? It might be useful and needed. These questions point to the reasons for real-time information management. In our travels, we notice that information is wasted all too frequently. Reports usually include only a small fraction of collected information, and even then, the information is not always useful. It is extremely rare for call centers to have an effective means of collecting and sharing information with other areas in the company.

Information should be useful or why collect it at all? It should be automatically collated into expert reports that can then be shared with
other areas. This concept is the best way for a contact center to establish its operation as THE strategic weapon for a company's viability. For example, imagine a contact center executive sitting down with his or her marketing department executives to figure out what can be learned from recent contacts in the call center. How can this information be used to help with marketing? How can it help the engineers or the sales group? This process can and should be done with all departments across the company. As various internal organizations see the usefulness of the contact center, there will no longer be questions of budget allocation. On the other hand, a lack of strategic alliances leads to alienation, isolation, and marginalization of the contact center from other parts of the company.

**Trend 9: Determine Strategic Customer Listening Points**

This trend illustrates the need to measure customer satisfaction and perceptions at all the different contact points. The Purdue University Benchmark Survey shows that 75 percent of contact centers measure customer satisfaction. However, the survey shows the measurement to be more perfunctory in nature than strategic. There is a difference between the quality of the call and the customer's satisfaction with that call.

One of the most common misleading forces is the disconnect between quality measurements and customer satisfaction. For example, supervisors listen in and monitor the quality of calls. However, the quality measurements of a call are generally not related to customer satisfaction. There is no evidence that any of the measured criteria (industry-wide) is indicative of call quality regarding customer satisfaction. This does not mean that there may not be a relationship. It means that we have yet to find a single study that has looked at the relationship between call quality and caller satisfaction. Interestingly,
of the 15 to 25 elements of quality in a call, not all of them will be related to satisfaction. If companies don’t know which of the elements are related to satisfaction, how can they manage quality? We might have extremely high-quality calls, but the customer could still be buying elsewhere.

If companies want to really measure quality, they need to make sure that quality is related to customer satisfaction. If companies can do this, then they can find out which parts of the quality measure are related to customer satisfaction. That knowledge is crucial in making managerial changes that will have a direct impact on future customer satisfaction. Customer satisfaction with a call is different than saying that customer will purchase again. Again, many centers measure customer satisfaction with a call, but neglect to measure whether satisfaction is related to repurchasing, loyalty, and wallet share.

**Trend 10: Revisit the Balanced Customer Scorecard**

The term ‘balanced scorecard’ was all the rage a few years ago. Now it is hardly ever heard. This is unfortunate because there is something important in the idea of a balanced scorecard—most contact centers are imbalanced.

For contact centers, the balanced scorecard reflects the need to balance measures of efficiency with effectiveness. Some common measures used in call/contact centers are as follows:

- service level agreements- efficiency
- average speed of answer- efficiency
- abandonment rate- efficiency
- once and done- effectiveness
- number of calls per shift- efficiency
- caller satisfaction- effectiveness
- talk time- efficiency

Our experience and research has shown that most of the key measures in call centers are efficiency-related measures; however, companies really should be more concerned with effectiveness in order to achieve balance.

Trend 11: Own Responsibility for the Customer’s Experience
There are hundreds of customer touch-points. Each and every one can be a moment of truth that determines the outcome of the customer’s experience. There are important questions to be asked related to this essential point:

Who is responsible? Who will be the person who always asks, “What does this mean for the customer?” It is clear from our adventures that, although it is better when everyone owns the customer experience, it needs to start somewhere. There needs to be a locus of responsibility—a senior executive or senior-level committee whose sole responsibility is the customer’s experience. If a high-level executive is not dedicated to that responsibility, what message is being sent to the rest of the company in terms of customer satisfaction?

Trend 12: Trend-spot
Who is looking out for the BIG trends? Where is K-Mart now? Where is Sears now? These were great companies for a while, but they didn’t see the future. At their prime, a small, unknown retailer from Bentonville Arkansas said, “We need to invest in satellite technology?” Sears didn’t see the need and neither did K-Mart. As a result, K-Mart imploded in 2002, and Sears is looking for answers.
But then there’s Wal-Mart. Wal-Mart is the number one retailer—the largest sales company in the world. They invested in important technology long before anyone saw the need for it (except Mr. Sam). This move allowed Wal-Mart to centrally run many aspects of store operations from a small room in Bentonville, making their overhead costs much lower than their competition’s. Furthermore, it allowed Wal-Mart to understand inventory and restock shelves faster than anyone at a cost 35 percent less. It allowed Wal-Mart to sell 75 percent of their merchandise before they had to pay for it. It was not customer service that led to Wal-Mart’s success, but key people seeing what an investment could do for their business. They spotted the trends and acted on them.

What are the big trends that will affect the contact center/call center industry? Already, call centers may have missed the biggest one—web contact. How is it that some call center executives have not understood the importance of web contact? Why haven’t 100 percent of the contact/call centers taken the web contact as part of their responsibility? Why is it that 50 percent of Purdue’s companies surveyed are not answering e-mail?

What are some of the other big trends? Changes in clientele might lead some companies to employ more Spanish-speaking agents, while other organizations (hardware, for example) might need more of a female presence to adjust to a growing shift in female customers. Then, too, wireless is here. What will that mean for contact issues, and how are companies addressing it?

The future starts with cross-functional committees raising the issue: Who is responsible for considering the future? Currently, companies are so caught up in day-to-day problems that future considerations are
put on the back burner, which is often too late. Planning for future trends is an organizational-wide issue. If companies do not have someone who is responsible for this issue, it is wise that they consider doing so. The contact center is a great resource for this type of strategic planning.

Trend 13: Encourage Entrepreneurship

Stew Leonard’s is an incredibly successful, though small, northeast food-store chain. Tom Peters introduced it to the world some 20 years ago. Aside from Stew Leonard’s innovative use of information and great internal leadership, they focus on the most important thing: the customers. They have it all together.

How are companies using the forces within? These forces consist of the combined expertise and creativeness of all the people working for the company. These people know what to do, but are seldom given a chance to give input. Stew Leonard’s gives them the chance with their “one-idea club.” Managers take a group of employees (on the clock, incidentally) to another business to observe and look for fresh ideas. After the outing, these employees are asked for one idea for improving their own company. That’s it—it is almost too simple, but it is effective. Companies should do something that encourages entrepreneurship—some of the best and most creative ideas can be found this way.

Conclusion

Contact centers of today and the future are in a unique position to propel their organization into new frontiers. As a leader in your own center it is up to you to determine how you can make the necessary adjustments to become the strategic weapon your center should be. In summary, it is our research and observation that companies on the
cutting edge of their industries maximize the potential of their contact centers in a variety of ways summarized in the 13 trends outlined in this report.

**Final Recap of the 13 Trends:**

1. Develop Strong Economic Segmentation of Customers
2. Create Closed-loop Processes
3. Employ Better Institutional Memory
4. Increase Customer Collaboration
5. Fight the Information Battle
6. Create Touch-point Alignment
7. Get it Done!
8. Utilize Real-time Information Management
9. Determine Strategic Customer Listening Points
10. Revisit the Balanced Customer Scorecard
11. Own Responsibility for the Customer’s Experience
12. Trend-spot
13. Encourage Entrepreneurship
CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Purdue’s Center for Customer-Driven Quality researched the topic of CRM with 17 companies nationwide that had either recently installed a CRM package or components of a CRM suite. These companies were contacted by phone and e-mail and asked to respond to questions designed to explore implementation issues and the impact of new technology on customers. As part of the research, the Center also asked these companies which CRM purchases they were considering within the next 18 months. The result: Many companies gave similar responses that will be outlined in the following paragraphs.

Implementation Problems:
The Center found that the majority of the surveyed companies had experienced three major implementation issues that are as follows:

1. Failure to effectively incorporate real process analysis:
   From executive leadership at the CXO level down through middle management, companies did not understand the impact of process on the implementation of their CRM software purchase. As a result, important analysis practices ranging from collecting data for customer accounts and history files to linking customer accounts for the purpose of providing an overview without impacting customer privacy were not
properly implemented. Sometimes they were not ever implemented at all. Real process analysis is absolutely essential in gauging the impact of the new CRM technology. In addition, this type of analysis helps companies to decide which changes need to be made to ensure that the customer is satisfied.

2. **Underestimation of necessary training time**: 12 of the 17 companies (70.5 percent) reported that they had underestimated the time they needed to train front-line people. Initially, 6.3 hours were allotted for training on the new technology platform. Companies that found this to be insufficient added an average of 4.2 hours to their training process. The additional training time had a significant impact on the cost of the implementation.

3. **An increase in average handle time**: Companies found that the most significant impact to productivity was an increase in average handle time for each customer contact. The Center’s analysis revealed that either the actual talk time increased or the post-call work time increased. The increases were due to employees taking additional time to ensure accurate data input into customer history files.
**Customer Impact:**

Of the surveyed companies, 9 of the 17 (52.9 percent) had experienced positive customer feedback after the new procedures were implemented. The most common response was that customers felt that the contact person had a clear understanding of their problem and the necessary solution. Customers also indicated that they were spending less time repeating their problem to the ‘voice at the other end.’ In addition, 15 of the 17 companies indicated that their customer contact employees felt they were providing a more complete solution to their customers.

Despite the positive feedback, however, some customers did complain that employees were still not using the data that was gathered, and customers were frustrated with having to repeat themselves. Importantly, most of the companies that had reported these customer complaints had not added any training time to their rollout plans. It can be inferred that insufficient training time may have resulted in the employees’ failure to properly implement the new practices. It should be noted and will be discussed later that employees found that it took longer than expected to feel comfortable with the new technology.

**CRM Trends:**

Companies are continuing to focus on CRM from both a tactical perspective and a strategic one. While a significant number of companies still do not have a CRM strategy, they are still investing in
tactical solutions for reaching and retaining their customers. The most important objective companies have when considering CRM technology is to create a unified customer view for the enterprise. This points to the integration of CRM platforms with other ERP projects.

**AUTOMATIC CALL DISTRIBUTORS (ACDs)**

The landscape for ACD is now fully focused on unified messaging. Although major vendors of hardware like Avaya, Aspect, Siemens, Rockwell and Nortel are still selling their mainstream products, all of them now offer a unified messaging product that competes with Interactive Intelligence, Telephony@Work, Cisco, and Concerto. Companies are looking to the future by installing products that allow contact distribution of all types of communication.

**The Trends:**

As companies experience increasing volumes of e-mail and little reduction in call volume, they are looking for ways to track and report on e-mail and calls within the same system. According to the Center's research, 86 percent of the companies they contacted either have deployed or are in the process of purchasing components of unified messaging systems. Research also shows that 46 percent of those companies that had combined their e-mail distribution with calls had trained (or are training) employees to handle multiple contact types; therefore, employees were serving customers no matter which access channel the customer used.

Unified messaging also supports the ongoing need to obtain and report data on each customer interaction type. This requires an integrated solution. Companies now understand that the ability to accurately cost
each customer contact is crucial to retention, increasing market share, and acquiring new customers.

**Interactive Voice Response (IVR)**

The world of Interactive Voice Response is being replaced. The new world of customer demand allows access to companies via systems that simplify information collection and business transactions. (This requires telephone technology connected to middleware that brings personalized customer data forward.) Because of this trend, companies are offering more robust IVR capacity through the same unified messaging solutions previously discussed.

**Increase in Customer Usage:**

Though the types of transactions offered are not new, customer usage continues to increase. In fact, 84 percent of the surveyed companies reported more than a 30 percent increase in IVR usage to transact business. Furthermore, this increase specifically referred to completed IVR transactions—not instances where customers started with the IVR and then transferred out of the system. These same companies indicated that more than 55 percent of their total contacts are handled in the IVR. More customers are buying products, tracking orders, checking balances, paying bills, and reporting problems through the IVR. Industry segments that reported the majority of increases included financial services, pharmaceuticals, telecommunications, catalog businesses, and utilities companies.

**Declining satisfaction with IVR as an access channel:**

A real problem that many companies have encountered is customer dissatisfaction with the access channel. Consequently, more companies are using performance-monitoring services, like Empirix Inc. to ensure...
that their IVR applications are delivering the service that customers expect. Research also indicated that 82 percent of the surveyed companies are making regular checks on the wording of their existing scripts. Frequently these companies have used customer input to help design the IVR scripts.

**Cost efficiency:**

Why all of the focus on IVR? According to the data collected, the cost of an IVR transaction is less than 10 percent than that of using live agents, the Web, or even e-mail—that is, of course, if the IVR system is effectively implemented and maintained. It is important to point out that the cost of deficient or poorly maintained IVR applications is significant. Customers that are frustrated with poor IVR applications will transfer to live agents, which results in longer contacts to transact the same business. Then, too, customers may try to circumvent the system or simply increase call volume in order to speak to live agents.

**SPEECH RECOGNITION**

Speech recognition technology has fast become a product that many companies not only are considering, but also are implementing. When companies integrate their IVR with strong speech/voice recognition products from companies like Speechworks, VoiceGenie, Edify, Nuance, and Phillips, they allow customers to conduct self-service business much more efficiently.

**Cost considerations:**

Although the speech recognition technology may seem expensive, the cost impact and improvement in the customer experience far exceeds the interim cost issues. Furthermore, operating costs for speech
recognition systems are extremely low compared to live-agent environments for several reasons. For example, there is no required training and no problem with turnover. Then, too, companies can provide constant availability of these services (with no additional cost to companies) for customers. Finally, if companies use a hosted service, they only pay for what they use.

**Customer impact:** Customers have reported that they really like the convenience, the consistency of responses, and the flexibility that these speech recognition systems offer. A recent survey of customers using integrated IVR/speech recognition systems showed that customers experienced more satisfaction with voice versus touchtone. In addition, they appreciated the broader range of transactions that were offered as a result of more input capability through use of speech recognition. Frequent users indicated that their transaction time was reduced because of their familiarity with the system; there was no hold time; and they found that the menus were simpler.

### Things to consider before purchasing a speech recognition product:

- Companies should understand that though the costs will be significant, payback can also be much quicker.
- Users will encounter recognition errors, possibly as high as 15 percent; however, companies find that good design mitigates this issue. This also applies to certain accents.
- Poor design will always impact customer satisfaction and productivity, whether live agents or technology are the initial point of contact.
- Though impact on customers must always be a consideration, there is no golden fleece: You will never satisfy 100 percent of any customer base.
- Companies should consider the integration of their website with speech recognition through technology called voiceXML. This is an interface that allows companies to combine their telephonic and Web into a single Internet infrastructure. This product cuts maintenance costs and increases the capability of making changes quickly to customer-facing applications.

### DESKTOP SOLUTIONS

Spotting trends in CRM desktop applications is similar to identifying trends in the stock market, one day it is up the next it is down and where will the market be tomorrow? We all know we need a better
desktop solution and we are looking for the best value in that solution. However, industry magazines are full of advertising touting product capabilities that range from simply making "customer service more than a department" to increasing revenue per customer by 20 percent. In the Wall Street Journal, one company even claimed that its product might have been able to stop the 9/11 hijackers. The Center has had the opportunity to work with many companies this past year that have either completed their implementation or are in the process of doing so. These companies have experienced mixed results.

**Future of desktop solutions:**

Judging by recent trends, some components of the CRM desktop solutions like a customer contact history component or a trouble ticket tracking component will eventually be a requirement to be successful in providing a good customer service experience; however, the timeframe for when that will happen is uncertain. Currently, many companies continue to build their own in-house solutions in an attempt to avoid the cost of packaged products. This alternative works, but the ongoing costs of supporting a technology team that can maintain these solutions can be enormous.

**Initial implementation problems:**

Initially, most companies were unprepared for how the new desktop would impact their customers and the existing practices. In other words, they had not done necessary process analysis groundwork. Of the surveyed companies, 100 percent had cost overruns that were a direct result of not fully understanding the capabilities of the new technology. The most common issue that companies faced was that they struggled with developing interfaces to existing databases across their organization. Companies who had greater success included end-users as part of the design as well as implementation teams and cross-
functional groups. The most often quoted point of failure was the automation of the sales force. An interesting observation by one of the companies was that the combination of sales and service into a single customer-facing technology solution was a pipe dream. Conversely, the most successful areas of usage were direct-customer contact in support of product service issues.

**Primary objectives for strong desktop solutions:**
The Center’s research showed that companies had three primary objectives for seeking a strong desktop solution: a single, company-wide picture of the customer, increasing customer loyalty, and marketing that has a positive impact. It is important to note that most metrics and payback calculations do not compute these, nor do they take these concepts into consideration. So we have an interesting dilemma. If the company buys the technology to meet these objectives, how do they calculate the return on the investment? This is exactly where the industry is currently positioned—measured by standards that are not relevant to the actual reasons for implementing the technology. The next wave of focus is bringing the wireless products into the mix of access channels, which will complicate issues for businesses as they attempt to implement desktop solutions.

**WORKFORCE MANAGEMENT**
Workforce management is seen as a very active technology-focused area. More companies are seeking solutions that will allow them to accurately measure the utilization or occupancy while simultaneously developing sensible schedules. In the past 4 years, workforce management solutions have become a vital part of any company’s
technology platform—They are no longer seen as just activity-tracking mechanisms. The performance of any call center is dependent upon its ability to match customers with an appropriate contact person, while maximizing the utilization of both people and facility resources. The costs of hiring and training employees averages $6,400 per hire, and the overall operating costs of a center’s people component averages 63 percent. With these statistics, centers with more than 50 agents or ones that are handling 200 e-mails per day should have some workforce management capacity available.

**The products:**

The workforce management solution products offered today allow companies to gather metrics on calls and e-mails, and in some cases, they can even be used for tracking post-call work. Vendors understand the critical role they play today and continually bring improvements to market in this area. The more companies understand how they are utilizing expensive people resources, the better they can perform. If companies know how they are using their employees and what it is costing them, then they can make more informed decisions on which tasks are most important to assign to these employees. The companies surveyed for this report were able to offer some computations that indicated a payback in 6 to 9 months as opposed to the 1+ year(s) it took just a few years ago. Most of this improvement is based on easier implementation, ongoing usage, and increased capabilities.

**Contact resolution:**

As more companies indicated that they were focused on first contact resolution, workforce management products helped them increase their performance in this area. For example, products that were (are) able to accurately forecast calls, e-mails, Web chat, and other types of contact allowed companies to improve their first contact resolution by
improving their staff scheduling and utilization. Many companies use these workforce management products for more than weekly and monthly scheduling. They use these same products for developing long-term staffing strategies, skill-development plans, and individual supervisor performance in staff occupancy.

**Importance of implementation strategy:**

Approximately 34 percent of the companies indicated that they had been less successful with implementing these products because they had failed to develop an effective implementation strategy. Without that, companies were unable to demonstrate the full impact of the technology. The other 66 percent who did develop an effective strategy saw much more positive results for the business. It is important to note that these companies used documentation of practices and processes as well as their specifically stated requirements or objectives before they began the implementation process. This is a good rule of thumb: The more companies customize the use of the product to their needs, the more they will be able to maximize the benefits of that product.

**Final thought:**

When developing implementation strategies, companies should communicate their ideas to every employee. The most successful companies focused on helping employees understand why workforce management products are important—and how it would benefit them.
**PROCESS**

**CRM**

Process has always been the scourge of contact center operations. Many companies that are faced with the challenge of developing and organizing their processes delegate that responsibility to a person who disappears after 2 or 3 months. Fortunately in this report, 83 percent of the companies had strong process focus. They not only understood the crucial nature of process management, but also applied resources in terms of technology and people.

**CRM technology as a catalyst for process development:**

In all actuality, it was CRM technology that forced companies to make process a key focus. Early in the cycle of CRM technology acquisition, many companies found they were not prepared for the effects of the technology. In a sense, it made companies’ worst processes run faster, creating dissatisfaction in customers more quickly. Companies were faced with calculating implementation costs, only to find that fixing broken processes was not a part of anyone’s cost model. As a result, companies focused on existing processes and how new technology would impact them. Furthermore, companies were able to determine processes that needed adjustment before new technology was implemented. Then, too, companies moved implementation and ownership out of IT groups and into operating environments. This made a significant difference in how technology was used because
they had operational people helping to design the applications used to deliver service.

**CRM and its specific impact on process:**

Ninety-six percent of our companies made changes to their processes before making the final purchase of CRM software. Most commonly reported was the need to have customer contact employees enter data while on-line with the customer. 72 percent reported that up until that point, most employees would jot down notes and then enter data after hanging up with the customer. This habit of entering data after the call increased handle time by nearly 85 percent.

Another process change involved determining the types (i.e., reasons and methods of contact) for customers. This was critical in building screens that could log each customer interaction. This was done as the design group began building screens for use by customer contact employees. In addition, the companies realized that they needed to make another process change in contact behavior—logging while the customer was engaged.

Other changes involved restructuring or improving company websites. Of the surveyed companies, 64 percent reported a move to make their website more accessible to the customer contact employees. In fact, 80 percent of these companies used the website as the primary access point. This provided more consistent responses to customer inquiries and allowed employees to identify when a website had old information. Finally, many companies adopted new processes for refreshing customer data and keeping processes updated. They built self-service processes and delivered them to the website for employee use with customer participation. The end result was that customers
became proficient in using these tools and no longer needed to call for help.

**WORKFORCE MANAGEMENT**

Workforce management is one of the most challenging aspects of contact center operations. Certainly products like BluePumpkin, IEX, and Aspect have made tracking and reporting much easier. However, committing employees to be where they need to be when they are needed is another story. Developing unique and effective processes regarding workforce management seems to be an industry-wide dilemma, though some companies have found ways to address this issue. The Center observed two categories of process change: agent scheduling and workforce management tools that identify areas in need of change.

**Agent scheduling:**

Agent scheduling is one of the most significant issues in centers today. Everyone has tried a variety of schedule change processes and found that any change in a person’s schedule is usually met with resistance. The number one complaint from agents is that they have to make adjustments in their personal lives to accommodate these schedule changes. Of course, this results in high turnover. In fact, research shows a strong correlation between the number of schedule changes and the rate of turnover. Some companies have dealt with this issue by allowing agents to select their own schedules, using web-based technology to provide access to agents, managers and supervisors. This allows access from any computer and makes agent participation an important part of the solution. Of course, companies have to
implement rules to ensure that all shifts are covered; still, allowing for flexibility increases job satisfaction and employee cooperation.

**Workforce management tools:**
Some companies had successfully incorporated workforce management tools that helped to identify which process needed to change. These tools break down the daily work of agents into more specific tasks. This helps companies determine which task requires the most amount of time across the board and why. With this information, companies can make changes to improve overall efficiency. This process has been particularly effective in e-mail and web chat environments.

**IVR/Speech Recognition**
The advancement of speech recognition is creating a variety of applications that will increase the productivity of live resources and enhance the overall customer experience. By off-loading the customer contacts that can be handled through an application of speech recognition, you free up resources that can handle the more complex transactions and interactions.

**Speech recognition as part of the internal quality assessment process:**
The first process change in this area involves companies using speech recognition as a part of their internal quality assessment process. This change is still in the early stages of implementation, but it has a potentially significant impact. Currently, supervisors or dedicated quality groups spend many hours listening to live calls or to recordings to evaluate each agent's quality of service. Typically, components of a
call include greeting problem clarification, problem solving, solution validation, and closing. According to the Center’s data, the average number of calls reviewed monthly per agent is 5.4. Companies now are using speech recognition technology to review 100 percent of all call greetings and closings, and in some cases, companies are allowing the speech recognition products to evaluate other interactions within a call. With the time that is saved by not listening to these components, supervisors are able to evaluate more calls.

**Using speech recognition technology to provide routine responses:**
Many companies are combining self-service with live agent connections as part of their new processes. Speech recognition technology is used to provide routine responses to callers. Callers are greeted with an agent’s voice and asked if they are interested in their normal transaction. If the customer says “yes,” then the agent’s voice transfers them to where they need to go. Once the transaction is completed, the system asks the customer if there is anything else they can do, and so on. Calls are only transferred to a live agent when the customer requests something that cannot be defined. This saves live agent time and resources for more complex transactions.

**IVR/Speech Recognition Technology to perform routine outbound calls:**
Somewhat related to the last process change, IVR/speech recognition technology is being used to perform routine outbound calls. This helps to gather customer feedback or proactively provide status on customer issues.
**TRAINING**

Training processes are a specific category in this report simply because many companies have taken some interesting approaches that are worth exploring in greater detail.

**Training rooms:**

Though typically a facility issue, the structure of training rooms has had a significant impact on employee performance. Companies are doing two things to create a more effective training room configuration:

1. **First, companies are moving training into the work environment.** This can be in the form of e-learning, using web-based training or network-based learning opportunities. The transfer of training to the work environment accomplishes the following:

   a. Employees spend less time commuting to a training room. This may seem inconsequential, but this can add up in a 1-year period when, for example, 200 agents have a 10-minute commute (conservative estimate) to and from that room once a week.

   b. The training activity is more visible to leadership and management because it occurs in their work environment. Training becomes a part of the daily culture and can be more easily integrated into all the team’s activities.
c. The agents view the training and learning process as a part of everyday life as well.

2. **Second, some companies are configuring the training rooms for new hires by using a “perimeter” location of workstations.** More specifically, trainees meet at a worktable in the middle of the room to receive information and instructions, as well as to take notes. Then, they are asked to apply what they have learned at individual computer workstations located around the perimeter of the classroom. This accomplishes the following:

   a. Trainees have a flat, uncluttered workspace at the worktable. There is no mouse pad or keyboard in the way, and students are not looking over the tops of terminals to see the instructor or projected images.

   b. Trainees are given the chance to learn audibly and visually and then are asked to practice, which reinforces the information kinesthetically or physically. This addresses a broader range of learning styles among adults.

   c. The instructor has a clear vision of each computer screen. He/she is able to observe how each student is doing without walking through rows of terminals.

*Making sure that evaluation is relative to training metrics:* Many companies have made efforts to ensure that new hire evaluations correspond with the training metrics that were used. In other words, if
trainers spent only 10 percent on interaction skills, then evaluations of new hires should only count interaction skills as 10 percent of their performance evaluation. Interestingly, studies in this area showed that the average training program spends less than 20 percent of its time on interaction skills; however, new employees are then evaluated most heavily in this category when they join their new team. This sends mixed messages to employees.

![New Hire Training Pie Chart]

**E-mail Management**

This is a relatively new area in terms of process development. E-mail management is now receiving some attention, but most companies still are not as focused as they need to be to be ready for future demands of customers. Meeting increased demand for e-mail response requires a significant amount of technology support. To increase their capacity, centers take weeks or months to implement technology, which requires significant planning. Many companies still have functionalized e-mail so that only a limited number of employees have the responsibility of answering e-mail. This structure creates the sense of an elite status for
those employees. It also provides a more complex career path for employees. In terms of processes being utilized in managing e-mail volumes, one process that many companies have implemented is an “auto-acknowledge” response to the customer upon receipt. Unfortunately, few companies actually established an expected time frame for a next step. This leaves customers wondering what they should do next and how long will it take to receive an answer to their problem/inquiry.

**Quality checking responses:**

Another process that companies are using to manage their e-mail flow is to quality check the response. Many companies are still using manual processes, by viewing random e-mails for quality. Others have purchased true e-mail quality management technology products. The real truth is that e-mail volumes are increasing, and the management of quality responses is not keeping up with the increase, which results in a lower quality e-mail response. Acquisition of technology to both respond to e-mails and quality check e-mails needs to increase before the consumer decides that the access channel is not meeting their needs. Response time remains the key issue; volumes and forecasting continue to be a challenge and all will suffer at the hands of a poor quality management process.

**Tracking of e-mail volumes:**

Tracking e-mail volumes is still a very labor-intensive activity. The cost of individual e-mail management systems has slowed the adoption rates; consequently, companies still use manual systems. One solution that some companies have tried is to include this technology when purchasing new unified messaging platforms or new CRM suite packages. Once the systems are in place, companies can have a more accurate picture of volume and response times.
People

CRM
The potential impact of CRM on employees is an important issue to consider. More efficient technology resulting in greater customer satisfaction can change an employee’s perspective on his/her role and sense of job satisfaction.

The impact of training:
All too frequently, employees are trained to use new technology without learning why it is important. This is problematic because they often fail to see issues from the customer perspective, or they simply do not understand any of the potential benefits for them. They often view the additional data collection as a waste of time. If employees do not understand the importance of the technology, it is unlikely that they will use it effectively, if at all. So why is this element often left out of training? Frequently, it is due to budget issues when training is designed. Then, too, companies continue to underestimate the amount of training that is needed because they are focused on the technology and not the process. Employees recognize this discrepancy; they know that they need more training before they use the technology with customers. Furthermore, if they do try and are not efficiently using the technology, they run the risk of frustrating their customers. This creates a negative experience for both parties, and employees may think twice before attempting to use the new technology again.
Companies need to recognize that employee dissatisfaction is often attributed to inadequate planning, training, and reinforcement. For all
these reasons, it is essential that companies invest in more complete training for this technology.

**Role of the employee:**
Employee roles change with new technological procedures. However, these changes frequently occur after training as employees or customers identify the need for change. Employees see themselves as data gatherers and problem solvers without the full benefit of learning these skills as part of the training. They are trained in the tactical execution of steps to resolve a customer’s problem and taught what to say—even scripted on what to say. However, they do not see the larger picture of how their action impacts the final view the customer has of the company. Their training is condensed to save money at the expense of real focus on satisfying the customer at the first point of contact.

**Job satisfaction:**
Employee job satisfaction is strongly impacted by customer feedback and reactions (positive and negative) to changes in technology application. What should companies do, then, to increase employee job satisfaction? See the following list for some basic suggestions:

- Include the operations in the design and development of the technology.
- Include the frontline employees in screen design for desktop applications.
- Budget for training and communication for all employees, not just customer contact employees.
- Change processes before new technology is implemented.
- See the business through both the eyes of customers and employees.

- Use a pilot program to research the impact of the changes.

- Make sure that all levels of leadership are visibly involved in the change effort.

- Remember that technology is only the enabler—people and processes make the difference.

**Hiring/Selection**

Employee turnover or retention is one of the biggest problems for contact centers. In the mid 90s, the dot-com surge challenged the industry as good people left to start their own businesses. Call center companies tried to ignore the issue, and found themselves in a deep hole. Now, the nation is facing a much higher unemployment rate, which would likely result in higher employee retention. This is not the case. Turnover rates in call/contact centers continue to be in the 27 to 42 percent range. Some may think that 27 percent is not bad; however, that rate includes the positive turnover. Efforts to decrease this average have little success. People still view the quality-of-life in a customer contact center as low and negative, and they make strong comparisons to a production environment.

**Cost issues:**

The cost of replacing an employee averages $6,500. This does not include any costs associated with impact on customer satisfaction and revenue. That number simply refers to the cost of replacing an employee who has left the center.
Another consideration in this area is the true cost impact of layoffs. Some companies staffed at levels that were driven by business forecasts that never transpired; consequently, they had to lay off employees. However, something companies should consider is that at some point in the future, they may want to rehire some of these employees. It may be 12 or 24 months down the road, and it may not be 100 percent of the reduced workforce, but companies will grow and need to rehire people. So, in addition to the severance package these people were paid, companies will have to pay to rehire these same people. The real cost of some portion of companies’ current headcount reductions is costing them more than they realize.

*Changing the trend:*

So what are smart companies doing to change this trend? Some companies are outsourcing the staffing responsibilities to groups that do more than just provide bodies. These groups understand the contact center environment and know how to attract people that will be successful in customer contact. These professional organizations use selection tools that save time and resources in the identification, selection, and hiring process. In many cases, these same companies are willing to partner with their clients in the ongoing performance of the referred employee. The tools used by these professional organizations are tools that can be purchased and used by a company’s in-house employment team.

**Performance Management**

Metrics are the real focus of this section. Some of the metrics that the Purdue Center uses have been used in the past. They have even been built into some of the technology, referring, of course, to such
categories as service levels, average handle time, and average talk
time. Most companies are familiar with these metrics. However, with
the current trend of focusing on the customer, it has become
challenging for companies to link these metrics to customer
satisfaction and loyalty.

The Center has observed many companies trying to find metrics that
can link to or validate the customer satisfaction scores they are
measuring. It has become a real task for the industry to establish
meaningful metrics at the frontline employee level that truly impact
the customer satisfaction score. Many companies have given up on
trying. Of the companies that the Center surveyed, only 69 percent
were using a formal customer feedback process. This leaves 31 percent
not using anything all. Many of the companies who are using formal
feedback processes measure performance of their CSRs using the
following criteria:

- 85.5 percent of the companies use a quality monitoring score.
- 84.9 percent use attendance.
- 65.2 percent use average talk time.
- 56.3 percent use number of calls per shift.
- 56.3 percent use schedule adherence.
- 40.1 percent use customer satisfaction scores.
- 31.7 percent use occupancy.

The above data indicates that things are not changing. However, this is
why companies must look beyond the data. There has actually been a
40+ percent increase in schedule-adherence usage; a 60+ percent
increase in occupancy usage, and a decrease of 25+ percent in calls-
per-shift usage (as metrics). Companies are beginning to understand
that some metrics (like talk or handle time) are important, but only as
lagging indicators of what is happening in the group, not as individual
performance measures.
The trends:
Companies are beginning to measure performance by processes that directly impact the customer. For example, some companies now measure whether or not an employee has accurately input their customer’s information. In addition, companies observe how well their employees have incorporated new usage procedures into their interactions with customers. Importantly, employees are also being assessed by whether or not the customer had a positive experience. To arrive at these evaluations, many companies are now using a combination of supervisor and quality-group input. For example, 62+ percent use side-by-side coaching to monitor or give feedback to their employees. This means that more of the supervisor’s time is being spent visibly addressing the issue of performance management.

QUALITY MANAGEMENT
There are two categories of focus for quality management: application of technology for quality management support and linking quality to customer feedback. Companies are buying the software to use in measuring quality and are discovering some very creative ways of using the technology. They are also taking the steps to link the quality measures within their company to the true customer feedback they are gathering outside of the company.

Technology:
Technology in quality management has already been discussed; however, the true measure of any technology platform is not what the technology does, but how a group uses it. So, how has this application of technology changed from a people standpoint? The most positive change involved the capability of the technology to record contacts as
a program of events that involve a specific customer as opposed to seeing each contact as its own event with little linkage to the total customer experience. This has provided some creative companies and leaders the opportunity to develop a process that brings frontline employees into a partnership with leadership in measuring quality.

**For example:**

Companies choose an amount of time, such as 3 hours per month that will be recorded time for every employee. Employees are then allowed to specifically designate when 50 percent of that time will be recorded, while the company holds the other 50 percent as time they select without the employee’s prior knowledge. After all recording is completed, it is played in total as part of an evaluation. Both employees and supervisors can hear differences, if any, between when the employees knew and did not know they were being recorded. This practice has opened a whole new level of discussion during the evaluation and feedback process. The companies that have used this have had positive results in terms of gaining employee commitment to the evaluation process.

**Customer feedback:**

Linking customer feedback to quality scores or measures is an important part of the evaluation process. Companies that have been successful in this area have been very proactive in gathering customer feedback through the various access channels. These companies have reconstructed their quality evaluations based on specific customer interaction types, customer segments, and chosen access channels. They have developed a multichannel approach that considers 3 important things: the customer’s reason for contacting the company, which access channel they used, and what resulted from the contact. Through this approach, many companies realized that the measure of
first-contact resolution is a relative metric. However, it should be noted that the measure of first-contact resolution is through the eyes of the customer. Therefore, developing a list of customer expectations from the actual customer is the first step in creating a link between a company’s metrics and customer satisfaction.

**CAREERS**

The economic downturn has significantly impacted career progression. However, the visibility of customer contact employees in companies has generally improved. Because companies are able to assess the true value of a customer, as well as their profitability for the company, they are able to invest in contact channels to provide enhanced service to the most profitable customer segments.

**Customer contact careers:**

Careers for customer contacts have not expanded in terms of the actual customer contact function; however, there has been an expansion in terms of support groups, or people that are there to follow through with company promises to the customer. Career roles that focus on leadership, employee development, quality management, workforce management, reporting and analysis, and technology support have seen the most significant increase in job expansion.

The acceptance of an executive level customer officer has not been an overwhelming success. Those that have created the function are pleased with their results; however, there has not been enough publicity on these successes to make the issue a critical decision. Companies continue to house their customer contact operations in their
marketing and sales groups. This is not necessarily a bad location as long as companies are able to place the value on existing customers in the same way it does for new ones. The problem that most companies face is that they are not able to calculate this value. According to research, 37.4 percent of the surveyed companies see the center as an opportunity to manage customer value, but 19.8 percent still see it as a cost center. This being the case we still have many companies looking at the people associated with delivering service as a cost center and not as having impact on the revenue line in their financial statements.

**Side note:**
Most contact center people did not grow up wanting to be contact center people. A quick survey of contact center employees indicated that 71 percent still see their job as a steppingstone to other roles outside of customer contact. For this reason, companies need to move away from the quarter-to-quarter mentality of growth in an effort to create more job value for those in the customer.
CUSTOMER FEEDBACK

According to the Center's data, only 69 percent of the surveyed companies have formal customer feedback mechanisms. This leaves 31 percent doing nothing to gather feedback from customers. This percent may not seem great, but 31 percent is still too many. Customer feedback is extremely important. So why do these companies not consider customer feedback? The Center’s research with these companies found the following:

- **Some companies attempted to gather feedback in the past and were ‘punished for asking.’** In other words, companies realized that when customers gave feedback, they were required to take action. In these cases, companies were not able to spend money for this action, but then they would be responsible for ignoring the customer. This forced management to adjust its budgets and planning before they were ready.

- **Some companies have found the cost to gather feedback not worth the results received.** These companies invested in gathering the feedback and acted on what the customer was saying only to discover that it did not increase sales or market
share. They felt that they did not get a return on their investment.

In both of these situations, companies see the cost of asking customers for feedback to be greater than the benefit. Of course, this is short-term thinking and will eventually result in poor business performance. The real problem is that the executive leadership in companies is often focused on the short-term, which generally does not produce lasting results.

Companies who do ask for customer feedback:
Many companies (69 percent) do understand the importance of customer feedback. Purdue’s Center has researched these companies’ methods and has provided some interesting data below:

- Methodology of measuring feedback
  - 52.7 percent use an in-house mail survey
  - 18.8 percent use a third-party mail survey
  - 34.9 percent use an in-house outbound telephone survey
  - 24.9 percent use a third-party outbound telephone survey
  - 17.8 percent use a computer-assisted telephone survey (CATS)

- Customer segmentation
  - 35.1 percent segment customers
  - 68.3 percent use product/service segmentation
  - 21.3 percent use geographic segmentation
  - 13.3 percent use revenue generated as their segmentation process
  - 12.4 percent use customer behavior as their segmentation process
  - 8.5 percent use profitability segmentation

- Frequency of reporting feedback
  - 28.1 percent report annually
  - 27.9 percent report monthly
- 23.1 percent report quarterly
- 20.9 percent report weekly

Interesting observations:

- Some companies are asking but not acting. They ask for feedback and gather data, but they do not create action plans for making changes.

- There has been a significant increase in the number of companies that segment their customers using profitability.

- There has been a significant increase in the number of companies that use a CATS (computer assisted telephone survey).

- Many companies combine survey methodology to ensure that they are getting feedback from a wide variety of customers.

- There is a real focus to get the feedback as close to the interaction as possible (thus, the increase in CATS).

- There is a new focus on creating a link between customer feedback and employee satisfaction. A company called SQM (Service Quality Measurement Group, Inc.), based in Canada, has been the real leader in gathering and publishing data involving customer and employee feedback. This feedback is then integrated into a benchmark.

- If companies only use mail surveys, they risk having time impact the accuracy of the data.
Customer Feedback

- Companies that only use customers that contact them as their base of gathering feedback will place them in a reactive mode of thinking. Many companies are beginning to proactively reach out to customers that do not contact them to gain another perspective.

- The use of e-mail surveys continues to increase; however, there is not a lot of information in this area yet.

- Many companies using “first contact resolution” as a new metric are taking the feedback process to another level in terms of gaining real insight into their service delivery. They are asking if the problem was resolved on the first contact.
GENERAL

OUTSOURCING

Companies are faced with many questions concerning outsourcing: Is outsourcing important? Should they go offshore? Should they look at India, the Philippines, or the Caribbean? As a part of the Center's Trends Report, they wanted to address this issue with some data and some behavioral observations. They are not going to try to predict what the growth in the outsourcing business will be; that task can be left to Gartner, IDC, and other data prognosticators. Instead, this section will position data, questions, and ideas that will help companies make these decisions.

The data:

- 19.1 percent of respondents outsource
- The average percent of outsourced inbound calls is 8.1 percent
- Business reasons (percentages) for outsourcing:
  - 44.1 percent to increase capacity to handle overflow
  - 37.6 percent to increase coverage (hours, geography)
  - 28.6 percent to reduce costs
  - 23.9 percent to handle a specific campaign
- The average cost per minute is $1.07
- The average cost per call is $6.01
- The average cost per hour is $25.63

Observations and comments:

- It is important to point out that outsourcing, in this case, specifically refers to contacts and not the additional operational functions like billing and logistics.
• Outsourcing functions that are not real competencies makes sense. For example, running a call center when you make hamburgers will require that you gain knowledge and technology to do it correctly. This does not imply that talking to customers is not something you cannot do, however, when you realize that customers require that the contact be consistent, reliable, and simple, you may determine that you are not equipped to deliver on their expectations. Simply put, you have to know when you are not capable of performing the function that the customer requires.

• Outsourcing will not always appear to be less costly. This is due to the fact that many companies do not realize what they are really spending on their internal customer contact operation, or perhaps they do not know how their existing customer contact operations are impacting their customer satisfaction and loyalty.

• There is an expense associated with having customers, which has to be managed like any other expense. Companies do not track all expenses incurred to a customer. Most organizations do not track who the truly profitable customers are and why they are profitable.

• Outsourcers (competent ones) can help companies understand customer behavior, real contact costs, profitability, and they can help eliminate customer contacts. By eliminating contacts you reduce the cost to serve the customer.
• Outsourcing does not eliminate the need for companies to be involved with service delivery. This is delegation, not abdication.

• Outsourcing is a relationship decision and as companies select the provider, they should make sure that the philosophy of service delivery will meet the needs of customers.

• The size of your outsourced needs does matter. If companies are small clients of a large outsourcer, they can get lost. In fact, many large outsourcers have recognized this and established minimums for the benefit of both their clients and themselves.

• If companies outsource customer contact operations, they can also reduce the cost of technology support within the business. This is a benefit that is often discounted because companies will say they need technology support anyway. Technology support is important; however, without the technology of customer contact, companies can reduce the need for tech support in some areas.

• Companies do not have to outsource 100 percent of their customer contacts. They can actually partner with their provider.

• The outsourcer has to be treated as a partner, which requires companies to include them in strategic decisions and most of their internal communications.
- Once companies select an outsourcer, changing outsourcers can be expensive in both real dollars and impact on customers. Therefore, take time in making the selection.

- If companies are considering an offshore solution, labor rates should not be the only consideration. Some offshore locations will eventually see demand for labor force increases in labor rates.

- Companies should not accept lower quality in an offshore solution. They should request that some of the savings they will experience be invested in more quality training.

- Accents do matter to the customer and this cannot be discounted.

- Some cultures have difficulty making the adjustment to being customer focused.

- Companies should consider whether or not an outsourcer would commit to a focus on contact elimination or increase in self-service.

- Before companies select an outsourcer, they should make a site visit and spend time at the frontline level observing the environment and how the people really work.

- Companies should select outsourcers that are offering advanced technology solutions, even if the companies are not ready. Someday they will want these solutions.
- Companies can outsource customer segments, technology, specific contact types and any combination of these.

- Outsourcing allows companies to focus on the total customer experience and make better business decisions.

- All implementations with any outsourcer can have problems. There is no perfect implementation.

**Multiple Access Channel Combination**

This is a new topic for the industry. Some companies may even be unfamiliar with the topic altogether. Because it is such a new issue, it is important to explain exactly what it is. In 1999, the Center for Customer Driven Quality at Purdue University started defining access channels as follows: The ways in which customers attempt to contact companies with whom they want to do business. They designated that there were three primary access channels: voice (any telephonic contact); electronic (any Internet based contact and any fax or kiosk contact); and live (the face-to-face contact by the customer with any person that represents the company's product or service offering). The combination of these access channels may be something as simple as going into a storefront (live) and trying on a pair of shoes and then going home and calling a catalog 1-800 number (voice) to order the shoes. It may be a customer going on-line to a company website to get information and then walking into a storefront to buy the merchandise. Three years ago, during a class on customer relationship management, the Center used a class of students at Thanksgiving break to survey their friends and family about how they, as customers, combined these three access channels. This same exercise has been used in every CSR

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**Final thought:**

Outsourcing is a very legitimate solution when a company is true to itself in terms of where it should spend its time and energy. At Purdue, we outsource and learn everyday about situations where we can follow our own advice.
282 class since to create the first analysis of such a behavior database. The findings are as follows:

- 60.1 percent of the customers surveyed use the web to get information and then go into a store to make their purchase.

- 48.6 percent use the storefront to gather information and then call a 1-800 number to order their merchandise.

- 24.3 percent go on-line to a website and then order through the 1-800 number.

- 83 percent like to return the merchandise to a live person.

- 71 percent want to be able to serve themselves without using a live person at any point in the transaction.

- 36.9 percent use the storefront to get information and see the product before ordering through a website.

**Other findings:**

The Center has researched the industry to find out what others are doing to measure this. One major insurance company has actually been tracking this behavior for quite some time. As a customer purchases a new policy or insurance product, they take the time to ask how the customer used the voice, electronic and live access channels, in combination to make their decisions. Another group that has done some significant research in the retail world is the J.C. Williams Group, in partnership with Bizrate.com and sponsored by msn eShop. This research was done in 1999. They have some very good data that indicates that customers do combine access channels to answer their issues. Some of their findings are listed below:
• The top three reasons for shopping on-line are to avoid crowds (70 percent), the convenience of 24-hour shopping (65 percent), and to save money (47 percent).

• On-line shoppers will buy from a storefront 59 percent of the time and from a catalog 43 percent of the time.

• Catalog shoppers will buy from a storefront 68 percent of the time and through the Internet 4 percent of the time.

• Storefront shoppers will buy from a catalog 21 percent of the time and through a website 4 percent of the time.

• 43 percent who saw a product in a catalog bought it on-line.

• 23 percent who saw a product in a store bought it on-line.

• 18 percent who saw a product on-line bought it from a catalog.

• Store shoppers who also visit the website spend 24 percent more per store visit.

Catalog shoppers who also visit the website spend 8 percent more per order and order 11 percent more frequently.
Glossary

Abandon Rate - An internal metric of all calls that get connected to the call center but are disconnected by the caller before reaching a TSR, outbound trunk, or information announcement. The abandon rate is the percent of calls that are abandoned compared to calls received.

Abandon Time - An internal metric for the average time (seconds) a caller waited before abandoning a call.

Acceptance - The customer state of mind such that continued engagement in the current relationship is probable depending on exposure to word of mouth, competitive offers, etc. This customer is at risk of being lost depending on environmental influences including any contacts with the company or competitive call centers.

ACD - Automatic Call Distributor. A device that forwards incoming calls to the next available TSR or answering position.

Adherence To Schedule - A measure of whether agents are "in their seats" as scheduled. Adherence is calculated as a percentage equal to (actual time an agent is logged into the system ready to answer the telephone) divided by (the total time the agent is scheduled to be ready to answer the telephone) times 100. The data for the percent adherence is taken from the ACD and should be reported on daily and tracked both weekly and monthly.

After Call Work Time - This is the time after a call is completed that the agent needs to complete administrative work related to the call. The data for after call work time is taken from the ACD and should be calculated by individual and group daily, weekly and monthly.

Agent Turnover - This is the number of agents who left in the course of a year as a percentage of the total number of agents working during that same period. The Human Resources Department usually produces this metric.

ANI - Automatic Number Identification. ANI is a service of telecommunications carriers, which identifies the telephone number of the calling party. It is commonly used for billing, call routing and database synchronization. There are several specific technologies that fit under the umbrella of ANI, including caller ID.

At-Home TSRs - A TSR stationed at a remote site (typically the person's home) who is fully connected to the call center's ACD and computer systems.
**Glossary**

**Average** - One of three measures of central tendency, it most commonly refers to mean. The arithmetic average is the sum of all observations divided by the total number of observations.

**Average After Call Work Time** - The average amount of time taken by a TSR to complete tasks (i.e., data entry) after the call is terminated. This may include time spent researching an issue that needs to be resolved.

**Average Cost per Call** - This is the sum of all costs for running the call center for the period divided by the number of calls handled in the call center for the same period. This would include all calls for all reasons whether handled by an agent or technology, such as IVR. You can also just calculate the cost per call for agent-handled calls. The number of calls received will be captured by the ACD. The total cost of the center can be obtained from your accounting department. NOTE - This is not a definition for average.

**Average Cost Per Contact** - An internal metric that is the sum of all cost for running the contact center for the period divided by the number of contacts handled in the contact center for the same period. This would include all contacts for all reasons whether handled by a TSR or by technology.

**Average Handle Time** - An internal metric that is the sum of talk time and after call work time.

**Average number of rings** - An internal metric that is the average number of rings the customer hears before the call is answered by the system whether by a TSR, an IVRU, or a VRU.

**Average Percentage Attendance** - This measurement is typically calculated by taking the total number of agents that actually show up for work divided by the total number of agents that were expected to show up for work during any period of time. This helps in tracking unplanned absences.

**Average Speed of Answer (ASA)** - Equal to the total time in queue divided by the total number of calls answered. This includes both technology-handled calls as well as live agent calls. This data is available from the ACD.

**Average Talk Time** - Total number of seconds the caller was connected to an agent. This data is available from the ACD. In our data gathering for the survey however, we ask for this in minutes.

**Average Time in Queue** - The average length of time (in seconds) a caller must spend waiting before the ACD can find an available TSR to take the call. This number is not the equivalent of Average Speed of Answer, as it includes only those calls that actually experience a wait for a live agent. Also known as average time of delay.

**B**

**Behaviorally Actionable** - Under the control of management who is able to effect change in the activity.

**Best Practice** - Best practice, as defined by this study, is the best performing metric in a category.
C

**Calls per Hour** - The average number of calls that an agent handles per hour, and is equal to the total calls handled during a working shift divided by the total time (in hours) logged into the telephone system. The data to calculate this is available from the ACD.

**Contact Distribution Systems** - Systems such as PBXs, ACDs and other technology that routes a customer's attempt to contact a company to the appropriate contact point.

**Contact Handling Technology** - Technology platforms that handles customer contact once it enters a company's system. Examples include IVR, e-mail management, voicemail and web support.

**Cost Per Call** - This is the sum of all costs for running the call center for the period divided by the number of calls handled in the call center for the same period. This would include all calls for all reasons whether handled by an agent or technology, such as IVR. You can also just calculate the cost per call for agent-handled calls. The number of calls received will be captured by the ACD. The total cost of the center can be obtained from your accounting department.

**Cross Sell** - A cross sell occurs when an agent recognizes that the caller might be able to use a product from the same company, but in a totally different product line within the company. For instance, an agent at a banking call center who is opening a savings account for a caller might recognize the advantage for the caller to purchase a CD from the bank at a higher interest rate.

**CTI** - Computer-Telephony Integration refers to the linkage of a telephone switch (ACD, PBX) and computer systems to enhance call processing. Common applications include screen pop, simultaneous voice & data transfer and IVR.

**Customer Access Channels** - Customer access channels are the multiple ways that customers can reach out and contact a company. A few of the obvious access channels are telephone, email, fax, normal mail, kiosk, and face-to-face.

**Customer Centric** - Placing the wants and needs of the customer as the central focus of all business practices within the firm. Seeing your business through the "Eyes of the Customer".

**Customer Lifetime Value** - The imputed dollar revenues or profits (depending on formula) generated by the customer for as long as the customer remains with the firm.

**Customer Relationship Strategy** - This refers to the business strategy that companies have in getting, keeping, and growing customers. At one extreme, a COSCO Department store has the strategy of offering a shopping "club" with very, very attractive prices, yet no attempt to have any personal, or one-to-one relationship with the shopper. Airlines by contrast, try in many ways to know the passenger, and serve him or her more personally, i.e., special meals and seating. Both strategies are successful, and both strategies impact the design of a call center differently.

**Customer Retention** - Keeping a customer as opposed to losing the customer to the competition. A percentage of this figure would be the tenure of the average
customer with the firm as computed by the sum of the time of all customers with the
firm divided by the number of customers.

**Customer Satisfaction** - (CS) is a state of mind that a customer has about a
compny in which their expectations have been met or exceeded over the lifetime of
the product. This leads to company loyalty and product repurchase.

**Customer Share** - The percent of those who purchase the item of interest from a
given firm. Computed as the number of customers who purchase the item from a
given firm divided by the numbers of customers who purchase the item from all
firms combined.

**Customer Value Segment** - Customer value segmentation strives to segment
customers based on their financial value to the company. This value is usually based on
a combination of the total amount of money that a customer spends with the
company, and the profitability of that revenue stream. The best example would be
the frequent flyer programs that the airlines have. United for instance has the
following value segments with its frequent flyer program - a) Regular frequent flyer,
b) Premium frequent flyer, and c) 1K frequent flyer.

**D**

**Data Mining** - Data mining refers to the actual process of analyzing the data in a
data warehouse. The data miner decides on what queries are required of the database,
and uses a special query language to create the reports.

**Data Warehousing** - Data warehousing refers to the logical and strategic
ordering and storage of contact data into a database thereby allowing easy and
intuitive analysis and reporting. This generally requires a company to connect
multiple existing databases.

**DNIS** - Dialed Number Identification Service. A Carrier service for 800/888 and
900 numbers that forwards the number dialed by the caller to the called party.

**E**

**Efficiency Index** - The index is calculated by statistically combining into an
index those metrics that are indicative of efficient performance. This is considered to
be productivity and focuses on the cost of operating the business.

**Effectiveness Index** - The index is calculated by statistically combining into an
index those metrics that are indicative of effective performance. This is considered to
be quality and is impacted by customer-focused processes.

**External Metrics** - These are usually characterized as "soft" numbers as they are
the collected attitudes, opinions, and emotions of customers or other interested
parties. The data may be collected by survey, focus group or interview methods. This
represents the customer perspective.

**F**

**Focus Group** - A personal interview among a small group of individuals
simultaneously. It depends more on group discussion than individual responses for
the data generated.
**H**

**Help Desk** - The term typically applied to an "internal" call center that handles primarily calls from employees about technical problems with their computer, monitor, printer, and the like.

**Hold Time** - This is the average number of seconds that a TSR places customers on hold during a call. Most ACDs can provide this number as a total number of hold seconds and then you can compute the average hold time.

**I**

**Internal Metrics** - These are generated by computers internal to call center technology (PBS, ACD, or VRU) or through departments such as Accounting, Finance, or Human Resources. Internal metrics are commonly perceived as "hard" numbers. Examples include average handle time, queue time, and abandon rate. This is generally not representing the view the customer has of your company.

**IVR - Interactive Voice Response.** Technology which allows a customer making an inbound call to interact with the data systems by responding to a menu of options. Responses are typically entered by pressing the keys on the telephone keypad, however, voice recognition is becoming more commonly integrated into the process and thus providing a more useful tool.

**M**

**Median** - The median is the value above and below which one-half of the observations fall.

**Moment of Truth** - (MOT) is a critical interaction between the customer and the product or service or employee that determines whether the customer will continue to purchase from the vendor.

**O**

**Occupancy Factor** - The occupancy factor is the percentage of time that an agent is at work and actually involved with serving the customer.

**Occupancy Rate** - Occupancy rate is equal to (Talk time + hold time + after call work time)/(Talk time + Hold time + after call work time + Idle time) times 100. The data to make this calculation is available from the ACD.

**Outbound Performance Metrics** - These are all the measurements that indicate the performance of an outbound telephone agent. Examples might include calls/agent/shift or sales/agent/shift.

**Outsourcing** - Contracting with an outside company/vendor to handle some or all of your company's inbound and/or outbound telephone calls or contacts.

**Order Taking and Tracking** - This is a specific function of customer service and it means that this call center specializes in just taking orders and tracking orders.
**P**

**Peer Group** - Peer Group does not necessarily connote competitors, but most often is the call centers that have the same profile of activities that you have. For instance, a Peer Group might be all call centers handling mostly inbound calls that are mostly business-to-business in a call center of over 100 agents for a company with annual revenues of over 1 billion dollars.

**Percent Blocked Calls** - An internal metric that is the number of callers who received a busy signal and, hence, could not get through to the ACD.

**Percent Abandoned** - An abandoned call is any call that gets connected to the call center but is disconnected by the caller before reaching an agent, outbound trunk or information announcement. The abandon rate is the percent of calls that are abandoned compared to all calls actually connected to the ACD. The data for this metric is available from the ACD.

**Percent Agent Utilization** - Calculated by (Talk time + Hold time + post call work)/(Signed on time) times 100. The data for this calculation is available from the ACD.

**Percent Attendance** - Actual number of shifts worked divided by the planned number of shifts times 100. Automated personnel attendance forms are the most typical method of capturing this data.

**Percent Calls Handled on the First Call** - The percentage of calls that do not require an additional call to the call center, or return calls by the agent in order to resolve the issue in the original call. This allows for transferred callers.

This information is often hard to find or inaccurate. Some clients calculate it based on the coding an agent does at the end of a call. If this is the case, the information will be in the ACD. However, this type of calculation almost certainly overstates the percent, since it only subtracts those callers who an agent is certain will call back later; many callers whose issues have been coded by agents as having been resolved will almost certainly call back later and therefore the number is lower. The best way to calculate first time final is to analyze call data over a period of time. This is made easier if the client has a CIM package.

**Percentage of Calls Placed in Queue** - An internal metric which is simply the number of calls placed in the queue divided by the total of all calls received by the center.

**Percent of Calls Transferred** - An internal metric that is the percent of total calls transferred from the original TSR to someone else.

**Pre-sales / Information** - This is a specific function of customer service and it means that this call center specializes in just handling pre-sales information queries.

**Q**

**Queue Time** - This is the average number of seconds that a caller spends waiting for a TSR to answer the telephone after being placed in the queue by the ACD. This generally is calculated after any announcements are provided to the customer.
Quality Management – The function of monitoring and coaching the front-line employees to deliver high quality service.

Random Sample - A sampling frame that seeks to ensure that all members of the population have an equal chance of being included in the sample. The method to produce this result is to draw completely without structure or randomly from the population of interest.

Rejection - The customer state of mind such that disengagement from the current relationship has already been decided and has been or soon will be implemented. Negative word of mouth is likely to occur.

Sample - The number and/or identification of respondents in the population who will be or have been included in the survey.

Service level - (Calls answered in less than X seconds) / (Offered calls * 100)

Soft Data - Information or data (such as opinions and attitudes) not based on numbers such as revenue, units sold, costs, etc.

Statistical Significance - An explicit assumption by the analyst that a relationship revealed in the sample data also exists in the population as a whole, based on the relatively small probability that it would result only from sampling error if it did not exist in the population.

Talk Time - An internal metric for the total number of seconds the caller was connected to a TSR. For purposes of the survey, we ask for this number in minutes.

Total Calls Offered - An internal metric for all calls presented to the center including blocked, abandoned, and handled. This includes calls handled by technology.

Total Annual Budget - The annual dollar amount allocated for all of the expenses associated with the call center including (but not limited to) - telecommunications expense, salaries, incentives, equipment, supplies.

Touchpoints - Touchpoints is a "buzz word" for customer access channels.

TSR - Telephone Service Representative. A general term for someone who handles telephone calls in a call center. Other common names for the same job include, but are not limited to - operator, attendant, representative, customer service representative (CSR).

TSR Occupancy - The percentage of TSR login time during which a TSR serving the customer and includes talk time, hold time, and post call work time. Occupancy is often referred to as Utilization.
**Glossary**

**Turnover** - A metric used to quantify - as a percentage - the number of TSRs who discontinue employment outside of the call center each year. Turnover is calculated by dividing the total number of TSRs leaving the call center (either by transferring to another department within the company or by accepting a position outside the company) by the total number of TSRs at the beginning of the period.

- **U**
  
  **Up Sell** - To sell a higher value product to an existing customer. For example to lease a more expensive copier to an existing customer. Also, see Cross Sell.

- **V**
  
  **Virtual Contact Centers** - A group of centers networked together to create efficiency and consistency.

  **Voice Response Unit (VRU)** - See IVR

- **W**
  
  **Word of Mouth** - (WOM) is what a customer hears about a product usually from friends or family but also rumors from unspecified sources.

  **Wrap Up Time** - An internal metric for the time after a call is completed that the TSR needs to complete administrative work related to the call. Also, called “post call work” and “after call work” time.