

Retail therapy

Is the cost of good service worth it in the retail sector?





This month's CCF round-table, hosted by KANA, gathered in Harrods to discuss the role of the call centre in the retail sector, and its approach to customer service

CCF: A key question for me when thinking about the retail sector is around customer loyalty. How important is it to retain customers and how much focus should be on attracting new ones? Or to put it another way: the cost and effort of providing excellent customer service, really worth it?

Richard Cockshott, senior account manager (retail), KANA: We often find within the retail sector that contact centres are still considered as cost centres and are subsequently not always given the level of investment they deserve. Does everyone around this table see value in spending money on customer service, and is there an impact on customer loyalty and return on investment from doing this?

Jason Neiland, head of customer management, Debenhams: You have to split this up into separate parts. In the retail sector, there are two main areas: one is the direct side, the other is the retail support side. It's very easy to measure the result of direct customer service when it's a direct channel, such as the bricks and mortar shop, but less so when you are answering calls during store opening hours. It might therefore be easier to get investment and deliver customer service for direct, rather than service calls, and I think this is a challenge everyone has in retail. Bricks and mortar is what we tend to focus on – in-store services, cash tills, staff – and not

necessarily on telephone customer services. **Debbie Lake, head of customer service, Charles Tyrwhitt:** We don't have that many bricks and mortar stores, because we are primarily mail order. It's interesting to look at whether customer service is adding value – the answer is really yes, but there is some hesitation here because we're not really sure how to measure it. You know in your mind that it is going to add value, and you know that what you're doing is having a positive impact, but actually putting a value on it is quite hard.

You can look at your measurements, such as cost per call and call handling time, and all the other metrics which look at call resources, but it's hard to really say – well, if I add another two minutes to that call, I'll create a loyal customer, and therefore they'll spend a bit more money. The hard bit is quantifying the benefits.

Amile Samara, head of customer service, Carphone Warehouse: We've had a little bit of success with an insurance company in the US, where we modelled the impact of customer loyalty based on a study about customer defection. This research basically takes the lifetime value of the customer, which in itself is difficult to measure, and then the impact of customer service on loyalty, and builds into this what the overall cost would be to lose that customer. However, any measurement in that level of detail is going to involve presumptions – it's just a question of how much you are able to live with these assumptions, and whether they apply to

your business or not.

Debbie Lake: But that's where you get the investment from – if you can prove that this is going to benefit the business, then you can invest in it. But if you can't quantify it, then you can't really justify finding the money for the investment.

Amile Samara: It's quite generic as well, because it depends on whether your customers have that level of choice. For certain products, they will of course be inclined to go for good value for money over customer service. Then, even if the service is poor, you may still be able to retain that customer because their expectations aren't the same. They're not paying for a premium service, so you're not going to raise the cost for the service you're providing – but this won't necessarily turn customers away.

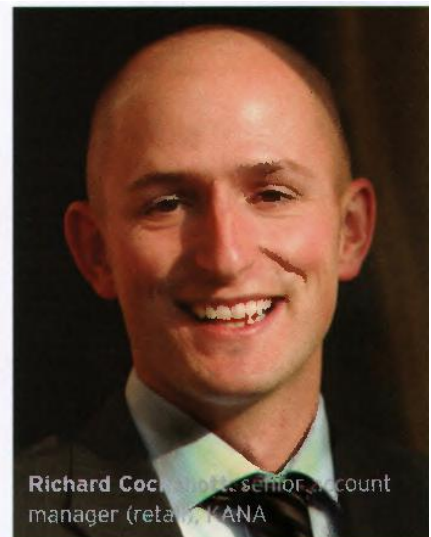
Jason Neiland: Ryanair is a great example of this. They make it clear that they deliver poor customer service, and yet everyone still flies with them.

Jonathan George, head of call centre services, Specsavers: With Ryanair though, I think their model for the future could actually be flawed. Personally, I think that in years to come there will be other people who will be able to deliver that service at the same low-costs, but at the same time be able to deliver a better level of customer service. And travellers will make a different decision on who they fly with on that basis.

One thing I have read over and over again is that retailers who have a strong customer service focus – those with a



Amy Luxford: customer service manager, Waitrose



Richard Cockshott: senior account manager (retail), KANA



good contact centre — have higher revenues and higher sales than those that don't have a good call centre to back it up. There are certainly lots of models and a lot of research out there that highlight service as a differentiator, and as an actual driver of sales. I'm sure Ryanair will be challenged in years to come.

Mark Bartlett, head of customer service, John Lewis Partnership: I pick up that point about differentiation, because if you look at society, there is a focus on stripping things away to the cheapest cost — but then if everyone does that, the playing field is level. For me, good service is a higher card, and that is what makes the difference. To an extent, it is a leap of faith. It is hard to quantify, but I think a way of looking at it is that compared to acquiring a customer upfront, which is substantial for most businesses, the relative cost of maintaining services is much lower, and I think we need to think more along those lines. Rather than being a cost or inconvenience, business need to balance the cost of good customer service against the cost of acquiring a new customer.

Kevin Shooter, head of UK operations, JP Boden: For mail order, it's all about customer service. We know that recruitment is always more expensive than customer loyalty, and we also know exactly how much it costs for us to recruit a customer. If they only stay for one catalogue, then we've lost a



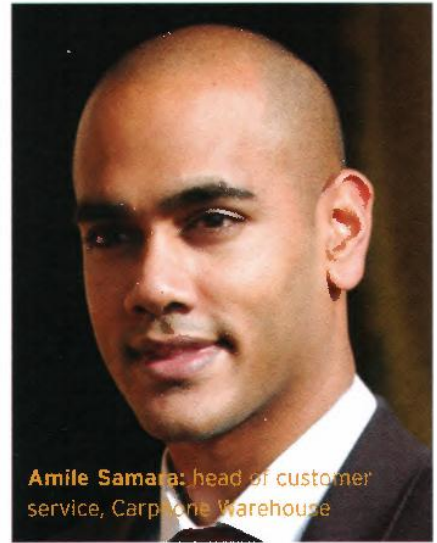
Jonathan George: head of call centre services, Specsavers

lot of money. The underlying assumption is that mail order is a lot easier, in a way, because it's the leaking bucket scenario, 'here you are adding your customers in but you've got to find a way to minimise the loss. **Mark Bartlett:** We were talking earlier about examples in the retail industry, of businesses that have lost sight of who their customers are, and what exactly they want. The moment you lose that trust from the customer and they walk away, how long and hard do you have to fight just go get back to the place you were before they did that? Although it's hard to quantify the value of investing in services, there are many inverse examples where people have lost the trust of their customers.

Kevin Shooter: I guess the other thing with customer loyalty is that there is an implied emotional attachment to the brand as well, so if you lose that customer, it's very difficult to get that attachment back.

Amy Luxford, customer service manager, Waitrose: That's why Waitrose is focusing on knowing customers to keep them with us, and then being able to retain them long-term, whatever their motivation for shopping might be.

Jonathan George: On an operational level, one thing I always find a challenge is being able to identify those occasions when service wasn't delivered in the way I feel it should be. For example, if a customer has had a bad experience in the call centre, we need to get the right tools in place to be able to capture those situations and really help the individual in the call centre, as well as



Amile Samara: head of customer service, Carphone Warehouse

identify or monitor where it hasn't worked or been met. Specsavers measures this in a number of ways — we have the call monitoring system which allows us to capture all calls, we do a proactive outbound survey in which we contact customers who have been in touch with the call centre and assess how they felt towards the service that they received. We also have an independent company that contacts customers on our behalf to gain a third party element to it.

In addition to these measures, I will also be interested to see what feedback comes back from our involvement in the Top 50 Call Centres for Customer Service, because this is the first time Specsavers has been involved in this kind of scheme. Those are the key areas we can look at within the centre. We need to look at all of these touch points and assess where we are.

The final measure could also be the first-call resolution but this is hard to capture. The way we measure it at the moment is that the operators in the centre measure the completion of the call, but we don't have the software at the moment to capture this in an objective way. For a time, we went down a route of having a model that tested whether there was a positive outcome of the call, so it was very fluid. Did the customer go away happy? Have they had a great experience? Sometimes, if you go into too much detail, you can unintentionally be assessing the wrong thing.

Jason Neiland: We are adopting a similar approach, away from all of the traditional scoring — did they say this or that — and



going into much more of a customer focus, where the only type of scoring is for a bonus later on. The rest of it is all just focussed on coaching, so it doesn't matter if the agent has said the right thing or the wrong thing – if the customer has gone away happy, the issue has been solved. Granted, you didn't use the right piece of technical knowledge, and you didn't follow the correct call flow,

spends more time coaching team leaders and assistant team leaders, than we do on coaching the advisers themselves. We have sessions where we actually assess the team leaders' performance and look at how they have assessed the adviser. That works really well. This kind of assessment is, in my opinion, no longer seen as a Big Brother-type tool, but more of a consultative

information that you need.

Amile Samura: Carphone Warehouse has noticed a huge improvement as well. When you are asking advisers to change how they think to "how is this customer going to rate your service at the end of this call?", it changes their mentality completely, and over a six-month period we saw some great improvement. Call lengths did actually go up for us, very slightly, but we have moved away from measuring call-handling time so much. It also went up slightly because of knowledge, as many advisers realised there was a knowledge gap that they could improve on. I think once the advisers become experts in their field and they really understand what customers are after, they no longer have to follow set steps. They are intuitive enough to pick up customer needs and deliver the right service accordingly.

It doesn't matter if the agent has said the right thing or not. If the customer has gone away happy, then the issue has been solved and the adviser has still managed to achieve a great score

but you still achieved a great score.

Debbie Lake: We do a combination of the two. We've got compliance on the one side, and customer experience on the other. So, the customer could have had a fantastic experience but if the adviser didn't follow the correct call processes, then it hasn't really worked.

Kevin Shooter: We do something similar to that. We examine soft skills versus the actual process of selling, but we have now decided to weight the soft skills higher. This means that if you want to build a higher rating with the customer, you need to build empathy.

We do a lot of workshops with our agents to help them improve their ability to empathise with customers. It's important to re-educate your advisers and explain exactly what you are looking for from them – it's not just certain check points but, it's also the overall feel of the call and that there is a good rapport with the customer. This is all part of the training and coaching they receive, and they can receive awards for this, too.

Jonathan George: There is an important point there, which is about giving the team leaders and managers the right tools to assess inbound calls correctly. When you have adopted a more structured approach – often because assessing the customer experience is a very structured process – this can be much more difficult to measure. I have met many managers who struggled with this kind of assessment, and found it difficult to get people to understand and support that way of working.

Jason Neiland: Debenhams actually

approach. It's about helping them to do it better.

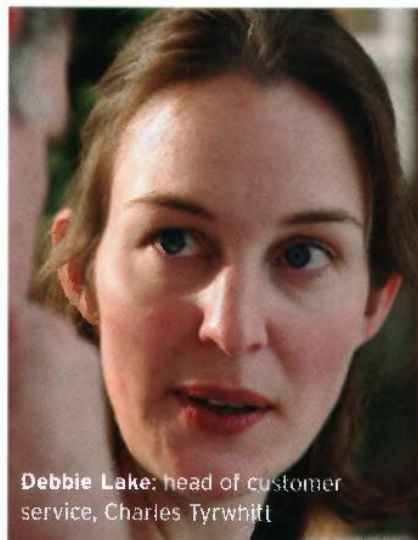
David Marklew, manager of customer services, TKMaxx: Has anyone who has implemented this kind of first call resolution measurement technique seen a direct impact on sales?

Jason Neiland: We have seen an impact on everything, right across the board, from doing this. I have put this into practice in a couple of places and you are telling the advisers to do something quite different – slow down, take your time, build a rapport, and funnily enough we have noticed that talk time has actually dropped quite dramatically. What's more, conversion rates increase, and customer satisfaction increases because customers are getting everything that they need right at the start. By taking time to ask questions, you then have all the

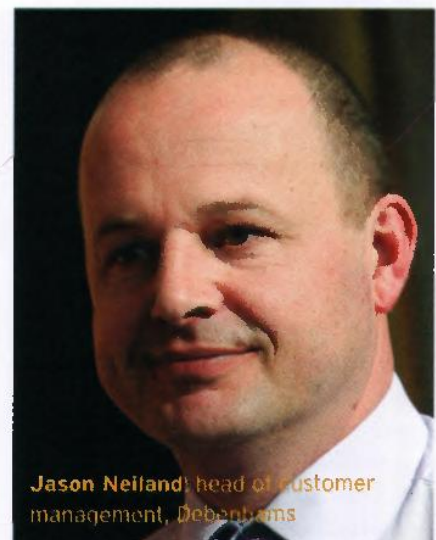
CCF: But how would you persuade people higher up in the organisation, that that is what needs to happen?

Jason Neiland: The approach I took was actually not to tell them! In practice, I took a small team and prepared them for everything. I then measured every single aspect that I could think of for them, to find out exactly how they were doing. We then introduced things gradually into it. So essentially, I managed to prove the case before taking it higher up to the board.

Then it worked in an almost viral way, because everyone else could see the benefits. The advisers were a lot happier



Debbie Lake: head of customer service, Charles Tyrwhitt



Jason Neiland: head of customer management, Debenhams



David Marklew: manager of customer services, TKMaxx

because we could remove the perceived shackles involved in the processes, and rather than having to convince everyone that this was the way forward, everyone started coming and saying that they wanted to do it. So it wasn't a problem, because the business case of 12 people proved the benefit of this action to the wider company.

Debbie Lake: We run sessions every month where the directors all sit and listen to calls, and they don't normally pick up on areas of compliance at all. But what they do pick up on is the actual positive experience of the customer because they are really listening to the calls and wanting it to be a good experience for them, as opposed to whether or not the agent ticks the right box or says the right thing. It's driven from an experience point of view – that is really the most important thing. The directors don't want to see that the customer is being treated almost like a machine.

Amile Samara: But do you think that in organisations, no matter what you do at ground level, whether it's implementing technology to support your staff, helping advisers with soft skills, or incentivising your agents differently so that they really want to provide that level of service – do you think when you report on your metrics to senior management that they really see the link between improving customer satisfaction and the resulting impact on loyalty? Not many organisations that I speak to do that very well. One company in particular that I worked with says that just a two per cent

increase in customer loyalty results in a £78million per year return in investment.

They have measured, in a very systematic way, what an improvement in customer loyalty actually means for their business. This means that, when investing in customer service functions, such as the call centre, it's a no-brainer for them, because they look at the initiative that some contact centres are embarking on and are able to assess the impact that this will have on loyalty. When they ascertain the link between the two, all of a sudden this leads to millions of pounds of profit.

Jason Neiland: But there are businesses that are easier to measure, such as mobiles, utilities, direct order. But when you are a multi-billion pound business in the retail sector, the fact remains that it's far easier to measure bricks and mortar results than telephony-based results.

Jonathan George: From a retailer's perspective, it's about the acceptance of a multi-channel strategy that crosses not just bricks and mortar, but also into direct services and direct channels. When there isn't a direct support on the back of the bricks and mortar operation, then it is harder for businesses to really understand and quantify results and measurements.

Jason Neiland: I completely agree. It's easy for the direct channels or the sales channels to run, but how do you measure customer loyalty based on something like opening hours? It's very difficult to measure and get full results on those aspects of service.

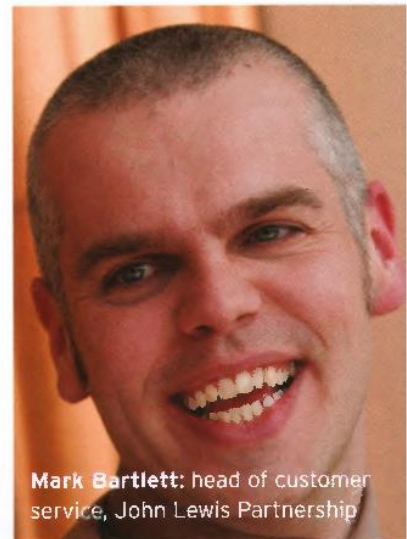
Amile Samara: So, the correlation between retention and your bottom line is quite clear in your organisation, whereas how much the improvement to servicing a support line impacts results is somewhat less clear.

Jason Neiland: I would say that good service can be summed up and measured by whether or not it exceeds a customer's expectations. For example, if you called a gas supplier a few months ago and your call was answered within four minutes, that would actually have been very good service, because customers probably won't have expected it. If you phone First Direct, though, you expect your call to be answered very quickly and have your query dealt with. The question is what the expectation is in the retail sector.

Jonathan George: I believe that the expectation is extremely high. The sky is the limit really, and expectations are becoming far higher with greater use of the web and customers wanting to have some of their enquiries met through self-service. People are using self-service for the more simple questions such as opening hours, while the contact centre is reserved for more complicated issues, including complaints or needing additional advice on a particular product. Customers then expect the person they interact with to be an expert in the area they need help with. Expectations are continually becoming higher and higher. The key in the retail sector is to allow customer expectations to remain this high – and then strive to find a way to meet them. ■



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