Help Customers Help Themselves

Achieving Economies of Scale with Self-Service Technology

Superior customer experiences exist in a paradox. While company leaders go to great lengths to grow their customer base, service delivery centers must absorb the increases in the number of customer service requests. The more growth, the more unruly the situation can become to effectively manage higher volumes of customer inquiries and deliver service excellence.

In cases where volume increases are accurately forecasted, the service center can brace for impact, ramp up service employees, and add on more training to meet service demands. While this process can achieve high-quality customer experiences, it often comes with a significant financial cost.

On the other hand, unexpected volume spikes can cause service levels to drop below acceptable standards and can quickly damage the customer experience, resulting in lost customers and lost revenue. After some time spent suffering these perils, most organizations eventually launch a quest to reduce service costs and improve performance. This usually involves a cost-reduction effort with a focus on achieving new levels of operational efficiency and doing more with less. Thankfully, technology can play a big role in helping customer care leaders to achieve positive results. Specifically, organizations can move beyond simple operational efficiencies by leveraging web self-service technology to facilitate two major competitive advantages:

- Increasing the efficiency of service employees
- Achieving economies of scale

Since service employees are essentially at the mercy of the tools they use, performance shortcomings tend to be pervasive and additional training rarely helps. In these situations, it's common for widespread confidence downturns to permeate the service team. When this happens, escalation is often the result and service performance plummets. Overcoming these issues is a matter of empowering employees to be better informed with self-service technologies that are proven superior in terms of consistently returning the accurate and reliable information required to deliver superior customer experiences.

Recognizing Next-Generation Web Self-Service Technology

Many companies are leveraging the latest web self-service technologies to enhance the customer experience. These question-to-answer matching technologies go beyond static FAQ pages and deliver much more than reams of search results. Today's answer engines are cutting edge, because they recognize and accept natural query language and deliver a single, correct answer even when a question is asked or worded in many different ways. The best self-service technologies enable *both* customers and service employees to use the system. Plus, they allow users to ask questions in conversational language, "seeing through" human grammatical and spelling mistakes to match questions with answers. Some even work with texting language and abbreviations.

When investing in self-service technology, look for solutions that:

- Can be deployed across desktops, websites, social media networks, and mobile devices
- Provide a consistent answer message across all major interaction points
- Deliver concise, accurate answers (rather than a series of search results) to the most commonly asked questions
- Provide executive level reports as well as detailed, per-question analytical data
- Easily integrate with your existing knowledge management systems

TeleTech's One Right Answer solution has a proven track record of increasing performance in the service delivery center by 20 to 30 percent, and reducing first-level call escalations. In fact, a $50 billion retailer of technology and entertainment products and services used One Right Answer to deflect 5,000 service inquiries each month to self-help resources. The company saved $400,000 in service costs each year. Other companies have implemented One Right Answer and recognized the following results:

- Increased service employee effectiveness by 50 percent
- Improved Net Promoter® and customer satisfaction scores by up to 80 percent
- Deflected more than 30 percent of customer inquiries to less expensive service channels

Maximizing Cost Advantages with Economies of Scale

When it comes to using self-service technologies to maximize cost advantages, there are two parts to the discussion:

- Focus on reducing service delivery costs
- Focus on reducing the volume of customer service requests

These are two different efforts that produce different cost reduction outcomes, but the key is to use them together. An organization that successfully reduces service costs will achieve a small degree of operational efficiency. Upon achieving this new level of efficiency, many organizations are content to stop there. But, by also focusing on reducing customer service volumes, further cost savings are within reach. One additional cost advantage is a hot buzzword in many industries: economies of scale. This brings up an important truth, which is sometimes misunderstood and therefore worth explaining clearly:

Achieving operational efficiencies does not automatically achieve economies of scale.

While one might assume that substantial cost reductions automatically

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Achieving Economies of Scale with Self-Service Technology (continued)

bring with them scalability, this is actually a misconception. The following scenario helps illustrate this.

Operational Efficiency vs. Economies of Scale

Assume the contact rate of an organization's customer base is 14 percent. Also assume the organization undergoes substantial cost-cutting efforts and achieves significant operational efficiencies, which reduce service costs by a substantial amount.

So far, there's nothing wrong with this scenario per se. However, consider this ripple:

While great efforts were made to reduce service costs, assume no substantial effort was made to reduce the contact rate. This means that, after the operational efficiencies were achieved, the customer contact rate remained unchanged at 14 percent.

In this scenario, the service delivery center can only enjoy the financial benefits of the newfound operational efficiencies as long as the organization does not increase the number of customers. The moment the customer base grows, costs increase (see chart).

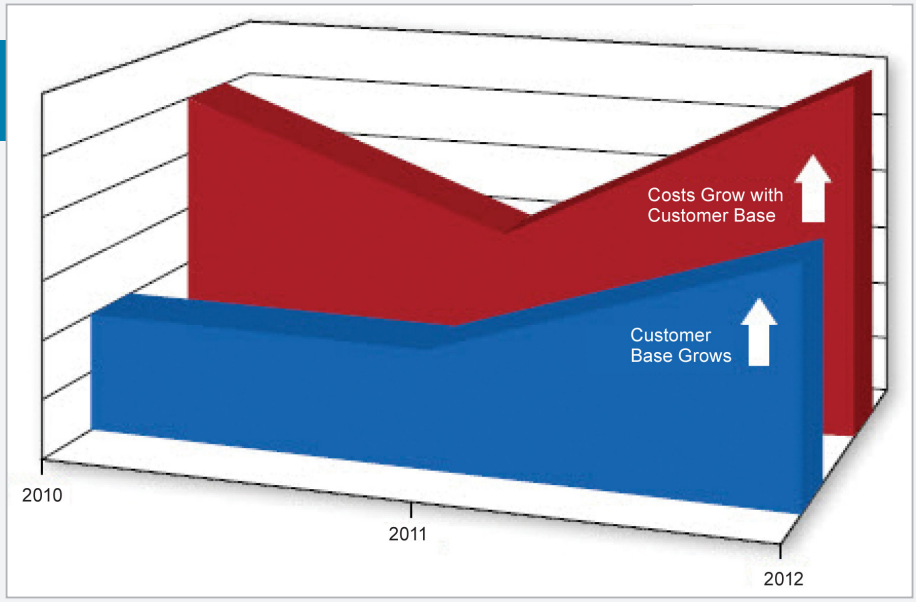
Operational service costs can be reduced, but if the contact rate is not reduced, the operating cost per customer stays the same, remaining at 14 percent. In other words, as the customer base grows, operating costs also grow in proportion. **Economies of scale are only achieved when the operating cost per customer decreases as the customer base grows.**

Therefore, focusing on service efficiency alone does not achieve the complete cost advantages that are attainable with scalability. When using self-service technology to maximize cost advantages in your service delivery center, operational efficiencies (while critical) are merely one half of what should be a full two-part initiative: reducing service costs and reducing the volume of service requests. Thus, companies should deploy self-service technologies both for their digital customers online and also for their internal service employees.

While the modern contact center may always be forced to deal with the paradox of growth and service volume, next-generation web self-service technology can help ease this burden by enhancing service employee efficiency and by creating sought-after economies of scale. ■

Operational efficiencies of the organization

This scenario demonstrates that operational efficiencies do not automatically produce economies of scale. Economies of scale are only achieved when the operating cost per customer decreases as the customer base grows.



About TeleTech

Celebrating its 30th year in operation, TeleTech and its subsidiaries help the world's most successful companies design, enable, manage, and grow customer value through superior customer experiences. TeleTech's One Right Answer solution empowers organizations to effectively address customer questions by delivering "one right answer" regardless of the thousands of ways a question may be asked.

Learn more at www.teletech.com

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