

# eService

## *Strategies for Success in the Customer Age*

By Bob Thompson

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Table of Contents	Executive Summary	1
	Why eService?	2
	The Tool Shop	4
	Crunching the Numbers	5
	Weighing the Tradeoffs	6
	Planning for eService Success	7
	What's Next?	9
	About the Author	10
	About the Sponsor	11

## **Executive Summary**

*Companies large and small are adopting eService, using innovative Internet-based technologies such as Web self-help, email response, live chat, and Voice over IP.*

Global competition is ferocious. Companies must work harder than ever before to gain and keep customers, and to do so at a competitive cost. Welcome to the age of empowered customers.

Thanks to investments in ERP systems and supply chain management, quality is up while costs and cycle times are squeezed to what were unthinkable levels just a few years ago. Trouble is, these optimized production methods and cost efficiencies are available to one and all. Advantage: None.

How about exploiting product superiority? That's also about as difficult as convincing a VC to fund a new dot-com. The Internet is partly to blame, as business strategy guru Michael Porter pointed out in a Fast Company interview: "It's incredibly arrogant for a company to believe it can deliver the same sort of product that its rivals do and actually do better for very long. That's especially true today, when the flow of information and capital is incredibly fast."

These global trends explain why Customer Relationship Management (CRM)—a business strategy to get, grow, and retain the right customers—is on the minds of most CEOs. And why analyst firms estimate that enterprises worldwide will spend about \$20 billion on CRM and sell-side eBusiness applications by 2003 Consulting and integration services extra.

Savvy executives have long realized the importance of service in building customer loyalty, the fuel for long-term profitable growth. Now customers are increasingly expecting service to be available anytime, anywhere. As Internet consultant and noted author Jim Sterne says, "The genie's out of the bottle. I call it Customer Expectation Inflation and the Demand Dilemma. Customers simply demand better service, on the Web and in stores, and that's how it is."

Internet-based customer service, or *eService*, enables smart businesses to improve service levels and increase loyalty, while saving money. Companies large and small are adopting innovative Internet-based technologies such as Web self-help, email response, live chat, and Voice over IP. But technology is only part of the puzzle. To enhance your odds for success, define business objectives and expected returns before buying a solution, plan the eService implementation thoroughly, and prepare to improve it constantly with ongoing customer feedback.

Wielded correctly, eService is a powerful weapon in today's business jungle. It's your job to determine what service customers want, how they want it, and how you're going to deliver it. Before your competition beats you to the punch.

## Why eService?

*Moving routine interactions online saves Cisco Systems nearly \$270 million annually—with increased customer satisfaction.*

*While cost benefits can be significant with eService, the big win is in keeping customers loyal to your company.*

No matter what business you're in, you're really in the customer business. Are you doing a good job "manufacturing" customer relationships—your company's #1 asset? Although accountants don't put "relationships" on the balance sheet, they should. In the final analysis, the real value of any business is its supply of loyal and profitable customers.

Over the past decade CRM has evolved far beyond basic sales and service automation tools for employees. As online customer relationships became more important, the CRM industry responded with a proliferation of eCRM solutions for online marketing, sales, and service.

### The Bottom Line

The goal of eService is to give customers 24/7 access to easy, cost-effective online self-service. Moving routine interactions online saves Cisco Systems nearly \$270 million annually—with increased customer satisfaction. Today over 80 percent of all Cisco customer support questions are answered by Web self-service, vaporizing an estimated 75,000 phone calls per month. Customers can even take delivery of software online.

This is effective CRM in action because value flows both ways: customers get what they want faster, and Cisco saves money as its people are freed up for more valuable activities. Result: a positive profit spiral that loyalty guru Frederick Reichheld explains in his landmark book "The Loyalty Effect." High satisfaction leads to increased loyalty that, over time, pumps up bottom line.

Shareholders can win too, as the American Customer Satisfaction Index web site suggests: "...in the most recent year for which ACSI and MVA data are available, firms with the top 50% of ACSI scores generated an average \$24 billion in shareholder wealth while firms with the bottom 50% of scores created only \$14 billion."

While cost benefits can be significant with eService, the big win is in keeping customers loyal to your company. A January 2002 CRMGuru online survey found that business managers believe that productivity and cost savings are important, but they see more value related to customer relationships and improved competitiveness.

Potential eService Benefit	Agree
Improve customer satisfaction	89%
Increase customer retention	87%
Improve competitive differentiation	83%
Redeploy service personnel	74%
Handle more service incidents	70%
Reduce customer service headcount.	57%

Source: CRMGuru

*“Our competitors were taking weeks and months to respond to customers, so eService is an opportunity to create an advantage.”*

### **Business Realities Drive eService Growth**

Is everyone else in your industry offering eService? Nobody? In either case, you’ll probably need to invest in eService to meet or beat competition, save money, and fulfill customer expectations.

Gun manufacturer Remington Arms is pioneering eService in the sporting arms industry. Why? E-business development manager Ned Moore says it’s dictated by “the increasing adoption of Internet technology by our customers, and our attempts to better serve those customers. Our competitors were taking weeks and months to respond to customers, so eService is an opportunity to create an advantage.”

David Richard, corporate vice president and CIO with Rockford Corporation, a Tempe, Ariz.-based B-to-B audio sound systems manufacturer, also cites competitive reasons for the company’s eService project. “We’re in a mature industry domestically, so we need to be able to come up with something that offers a difference, and part of that is increased service levels.”

Odds are you’ll find eService savings in overall productivity gains rather than headcount reductions. In 1999, Remington Arms served 2,000 daily Web site visitors and received over 100 emails. Today the company receives 35,000 site visitors but the email volume has increased to only 200 per day. That’s because 10,000 to 15,000 people visit the online knowledge base each week, solving most of their problems without any human assistance.

Customer expectations also favor the self-service trend—consider gas stations and ATMs, says industry analyst Chris Selland, principal of Boston-based Reservoir Partners: “Frequently customers would rather serve themselves.” So let them.

### **Room for Improvement**

Gartner Group estimates that two-thirds of customers who defect do so because of poor service. This hits the bottom line because replacing those customers can cost up to ten times as much as providing good service in the first place.

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Despite the glowing success of Amazon.com, online customer service is a problem area for most businesses. “Industry observers have identified poor customer care as one of the major impediments to the growth of e-commerce,” reports Customer Interaction Solutions in late 2001.

Even if your customers don’t buy online, they want to research products before they buy, and get fast answers to questions afterwards. Selland advises not to force-fit self-service, but rather present as the first option. Thankfully, more customers are becoming comfortable using the Internet to help themselves. Two years ago 70 percent of contacts went through live agents, and 30 percent used eService. Last year it balanced out to 50-50.

## The Tool Shop

The roots of eService go back at least to the mid-1990s when Usenet newsgroups documented Frequently Asked Questions (FAQ) to keep “newbies” from asking the same old questions. Cisco Connection Online started in the early 1990s with a dial-up Telnet approach that provided an FAQ, bug reports, and technical tips. Today, of course, Cisco’s online service is legendary for its quality and cost-savings. This win-win approach sets the example that other companies are following, albeit with less costly packaged eService solution.

Nowadays companies can choose from an ever-increasing array of technologies and packaged solutions. Here are some of the major options, in rough order of popularity:

- *Online self-service.* Puts information on the Web so customers can search a database and find their own answers, instead of calling your reps or sending emails for help. Works best when the interface is intuitive and the answers are easy to find. Some companies prefer to load as much as possible in the database when it goes live; others prefer to start with a few questions and let customer inquiries drive database growth.
- *Email management.* Lets customers ask questions via email, and either generates automatic responses or uses rules-based logic to route inquiries to appropriate service reps. Useful for routine, non-urgent inquiries. Inquiries should be at least acknowledged promptly, and answers promised within a reasonable time frame, generally one business day.
- *Live chat.* Allows a customer service representative to “chat” with several customers concurrently by typing questions and answers back and forth in real time. While growing in popularity, few customers today rate it as their preferred method of service. Like email, chat provides an audit trail of the customer interactions, which can be an asset, or liability, depending on how well the service is provided.
- *Virtual reps.* Basically an online database enhanced with an attractive simulated face “answering” your question. Seeks to be a low-cost form of live chat, but has found only limited acceptance. There isn’t much more a virtual rep can say than can be found in a targeted database search, and the simulation of “live” interaction can evoke greater expectations than can be fulfilled, leading to frustrated customers calling anyway.
- *Voice-over IP.* Converges voice and data onto an Internet protocol, allowing network companies to cut phone costs and simplify their telecommunications networks. For adoption rates to increase, however, costs need to come down and quality must be improved.

## Crunching The Numbers

*Around 90 percent of respondents expect Web- and email-based eService usage to increase within the next year.*

Remember, the raison d’etre for your eService should be customer satisfaction, not simply cost savings. However, the cost economics are compelling since eService is almost always a less expensive channel than human interaction. Just be careful that you don’t force customers to eService when they can’t or don’t want to use it, or you may save money while damaging valuable relationships. As the saying goes, that’s “pennywise and pound-foolish.”

Understanding your current service costs is a tricky but important exercise. Hewson Consulting’s principal Wendy Hewson says a good rule of thumb is to figure a call center interaction cost \$30, email handled by a human \$25, email handled by a computer \$3, and self-service on Web next to nothing. Gartner Group says human-assisted phone, email, and text chat cost between \$5 and \$7 on average, while web self-service costs just \$.24.

CRMGuru’s recent eService study confirmed that business managers think electronic is much cheaper. According to survey responses, incidents handled by phone cost an average of \$20, while email and chat cost about \$5, and Web self-service about \$1. See, here’s something else you can get for “just a buck or two!”

Throwing around such estimates is tricky since you’re rarely comparing apples with apples when you say one email costs \$40 to handle and another costs \$2.89. The key factor is how much labor is involved, and that will vary for each company. Still, anything automated is by definition less costly than human interaction.

Whatever the precise figure, going online is a good investment for most companies. The trend is clearly in favor of eService, as the table below illustrates. Around 90 percent of respondents expect Web- and email-based eService usage to increase within the next year. A Forrester study forecasts that from 2001 to 2002, voice contacts will decline to 60% of customer interactions, with Web and email splitting most of the balance.

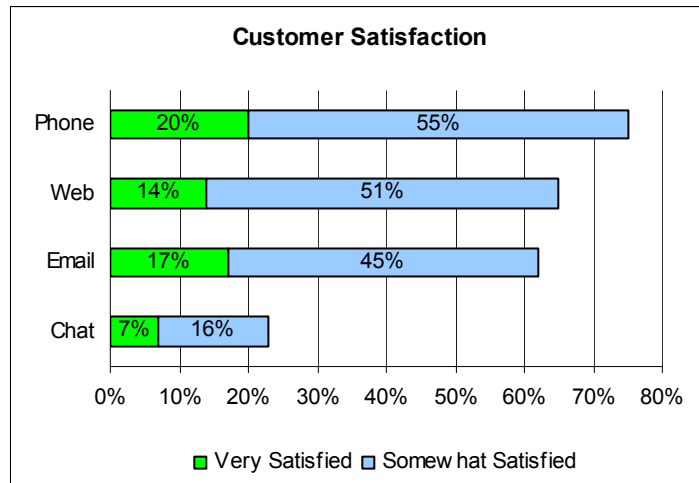
Service Type	Current Usage*	Increase Next Year	Decrease Next Year
Phone	77%	34%	36%
Web	69%	94%	1%
Email	64%	87%	4%
Chat	12%	57%	4%
VoIP	N/A	42%	7%

Source: CRMGuru

## Weighing The Tradeoffs

The point of eService is to give the customers what they want. Give them the touch points they need to make it easier to do business with you, at a cost you can afford. “We look at voice, the Web, and personalized service, and looking at what we’re trying to achieve drives the method of delivery,” Rockford’s Richard says.

When asked to rate their personal satisfaction, CRMGuru members gave a 75% satisfaction rating to the plain old telephone, 65% for the Web, 62% for email, and only 23% for the rarely used chat. Clearly the newer technologies have room for improvement. Customers will also need to become more comfortable getting service online, just as they became accustomed to using ATMs for basic transactions.



Source: CRMGuru

*The business case for eService is always a question of what's to be gained, and it's not a good idea to try to avoid all costs of customer service.*

Selland says that of course “good eService is still needed, even if you’re not conducting a transaction online,” since most studies show customers use the Internet to research big ticket items they intend to purchase in person.

In general, highly repetitious factual questions—“Does it come in mauve? Can I get them for \$24.95 apiece if I order three? Do you ship to Canada at this price?”—are handled best by eService. The more complex the product or service, the more likely people are going to want a phone number to call. The business case for eService is always a question of what’s to be gained, and it’s not a good idea to try to avoid all costs of customer service. Saving \$3.28 on service isn’t worth losing a \$328 order.

That’s why you’ll need to be fanatical about measuring customer satisfaction with eService. Find out exactly who uses it and why as a guide to future investment. The last time we checked there wasn’t any law – in California anyway – against calling customers to find out personally if they were satisfied with the level of eService they received. Surveys work well too.

## **Planning for eService Success**

*CRMGuru's study found one-third of companies are using some form of eService, but most are homegrown efforts with cobbled together static HTML pages, manually maintained FAQs, and human-powered email service.*

When Vermont ice cream mavens Ben & Jerry's email volume reached a backlog of over 5,000 unanswered messages, the need was clear. They seeded an eService support database with a dozen questions and expanded it out to 100, resulting in a two-thirds decrease in Webmaster email and elimination of the backlog. Turner Broadcasting implemented eService to support 20 million cable TV customers, and saw general inquiries drop 75 percent.

Done right, eService benefits are compelling, but there's plenty of room for improvement. CRMGuru's study found one-third of companies are using some form of eService, but most are homegrown efforts with cobbled together static HTML pages, manually maintained FAQs, and human-powered email service.

It's no wonder that a recent International Customer Service Association/e-Satisfy.com benchmarking study found half of all attempts by customers to find online service ended up in a phone call. You can avoid this dilemma by doing a thoughtful job of planning, building, and implementing your eService solution.

### **Assess Your Current Position**

It's hard to chart a course when you don't know your starting point. Take the time to understand your current competitive position and customer satisfaction levels before launching an eService project.

Call center expert Dr. Jon Anton of Purdue University recommends benchmarking because you need to use reference points outside of your business to determine what's good enough to be ahead of your competitors. In the process of benchmarking you'll get a good "before" picture of your current operation. Set a target for the benefits you want, and then identify the metrics you'll use to measure improvement.

### **Build The Business Case**

Tangible goals might include increasing productivity or decreasing headcount. Your success justifying an eService project will probably rely on the hard numbers that a CFO will believe. As Rockford's Richard says, "What are the real costs? Whose budget is going to get whacked?"

Look at cost avoidance as well. If you don't expand and offer these services, how will other costs be affected? Ned Moore says Remington Arms weighed the cost of an eService system against the costs of hiring more customer service reps. It has worked out even better than expected, because, "We've been able to serve more consumers through the knowledge base than we imagined."

Less tangible but vitally important benefits might include improving customer satisfaction or being more innovative than your competition. You might not be able to measure the negative impact of a huge backlog of unanswered emails, but the damage will be done to your company's reputation nonetheless.

*Avoid the “kid in the candy store” problem by focusing on the top two or three requirements that will deliver the most value.*

### **Link eService Requirements to Business Needs**

Use business priorities and a realistic budget to drive product requirements and vendor selection. Sure, there’s a lot you could do with eService technology, but the question is: What *should* you do? Avoid the “kid in the candy store” problem by focusing on the top two or three requirements that will deliver the most value.

And remember, while the tools are important, the content you decide to include in your eService system is equally important. Pareto’s Law applies—80 percent of all site traffic is after 20 percent of the content. Therefore, a relatively small amount of well-targeted information can take care of a tremendous amount of business.

Online information also must be presented in an easy-to-use, consistent format. “You want to give a consistent look and feel to the information people are getting,” says Hugh Thomas the technical marketing engineer for Carrier Voice Group of Cisco Systems. “For an FAQ page you don’t want 4,000 responses, you want the best one you can get, and you want the information in the same format every time.”

### **Implement in Phases, Use Feedback Loops**

*Implement eService in bite-sized chunks, get feedback, and make mid-course corrections as needed.*

Like any IT project, eService is a change that must be absorbed by both your organization and your customers. Implement eService in bite-sized chunks, get feedback, and make mid-course corrections as needed. Online surveys can help, but if you really want to impress your customers, call them! A few targeted interviews will help identify problem areas before they get out of hand. Above all, *act* on your customers’ feedback.

Cultural change must be managed too, says Christine Talbert of AAA Carolinas. “You have to ensure the front line staff using the product understands what the positives are if they use the product effectively.” Don’t treat this as just a technology project.

### **Get Real**

Don’t swing eService like a cost-cutting machete, because it won’t replace your call center. Rather think of it as a tool to draw off all queries that can be answered with an FAQ page, online database, or automated email response. Complicated questions will still need human help.

A Doculabs study, for example, found that in some cases online service could stimulate more complex phone calls. One financial services firm found eService increased call volumes because the simple questions were answered online, but stimulated customers to call with more complex situations to discuss. If this results in more business, it’s a good thing. If not, go back to the eService drawing board.

## What's Next?

*Since the core technologies are not "bleeding edge" any more, the focus will shift towards improved access, usability, and collaboration.*

You can't have high quality *and* affordable products, right? Wrong. Japanese automakers taught the Americans this painful lesson. Now with eService, companies can provide high quality customer service at much lower costs. Follow the lead of Cisco Systems and others and your business can increase customer satisfaction while boosting the bottom line.

What are the key eService trends in the next few years? Since the core technologies are not "bleeding edge" any more, the focus will shift towards improved access, usability, and collaboration.

- *mService with Natural Language Processing.* Any way you want service, you got it! As wireless infrastructure improves worldwide, eService will become *mService*—delivered on mobile platforms ranging from wireless phones and PDAs to notebook PCs. Enhanced voice and text natural language processing will help keyboard-phobic customers get the right answer the first time.
- *Real Cross-Channel Integration.* Regardless of the channel, customers expect companies to remember their interactions, account history, and open issues. For example, if you made an ATM deposit and then walked immediately into a bank, you'd expect the bank to know the whereabouts of your money. A CRMGuru study found that over 90% agreed multi-channel integration was important, but industry researchers estimate that less than 10% of companies actually provide it today.
- *Collaborative Knowledge Sharing.* Currently customer service is the province of, well, customer service reps. They get the tools to take care of customers, or the customers help themselves online. But thorny problems still require other departments or trading partners to collaborate on service incidents. Increasingly, systems will be linked together to make this an efficient process. And casual users will be dynamically included in service processes using easy-to-use email and web-based applications.
- *eService meets eSales.* The lines will continue to blur between electronic sales and service technologies. After all, the underlying knowledge bases can be deployed in either sales or service scenarios. And service incidents can be golden opportunities not only to increase customer satisfaction and loyalty, but also to present targeted sales offers. Beats cold-calling anytime.

The days when you could make a better mousetrap and the world would beat a path to your door are gone. Loyal relationships based on responsive service may be the only sustainable competitive edge left. Your customers' future will include eService. The only question is: Will your business be a part of that future, or not?

About the Author



Bob Thompson is Founder and President of Burlingame, California-based Front Line Solutions, an independent consulting and research firm specializing in Relationship Management in the extended enterprise. With groundbreaking research in *Partner Relationship Management* (PRM) requirements, best practices, and technology, he has earned a reputation as the industry's leading PRM consultant and industry analyst. Currently Bob is researching *Collaborative eBusiness*, an emerging trend that is the fusion of PRM, eCRM, and group collaboration technologies.

Bob is frequently quoted in industry publications such as InformationWeek, ComputerWorld, and Computer Reseller News. He also chairs industry conferences and gives keynote speeches at executive-level events worldwide. A prolific writer, Bob is the publisher and editor of *CRM.Insight*, an award-winning CRM newsletter, and *C.BIZ*, a newsletter focused on Collaborative eBusiness. He is also the founder of CRMGuru.com, the largest and fastest-growing CRM industry portal with over 100,000 members worldwide.

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**About the  
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RightNow Technologies is a leading global provider of eService solutions that deliver rapid time-to-benefit and quick ROI. RightNow's multi-channel eService suite supports Web-based self-service, email response management, live chat and collaboration, and service analytics.

RightNow also offers a Web-based location tool, RightNow Locator, that directly links a company's Web presence with its real-world locations, providing customers the information they need to purchase products or obtain services locally.

RightNow customers include AAA Carolinas, Air New Zealand, Ben & Jerry's, British Airways, Enterprise Rent-A-Car, Fujitsu, Maxtor, Nortel, Orbitz, Ping Golf, Remington, Sanyo, Social Security Administration, Sprint, and more than 1,100 other organizations in a wide range of vertical markets.

Founded in 1995, RightNow has offices in Bozeman, Dallas, London, and Sydney, and an associated office in Tokyo. RightNow's products are available in 15 languages worldwide.

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