Point of View

All the Right Moves

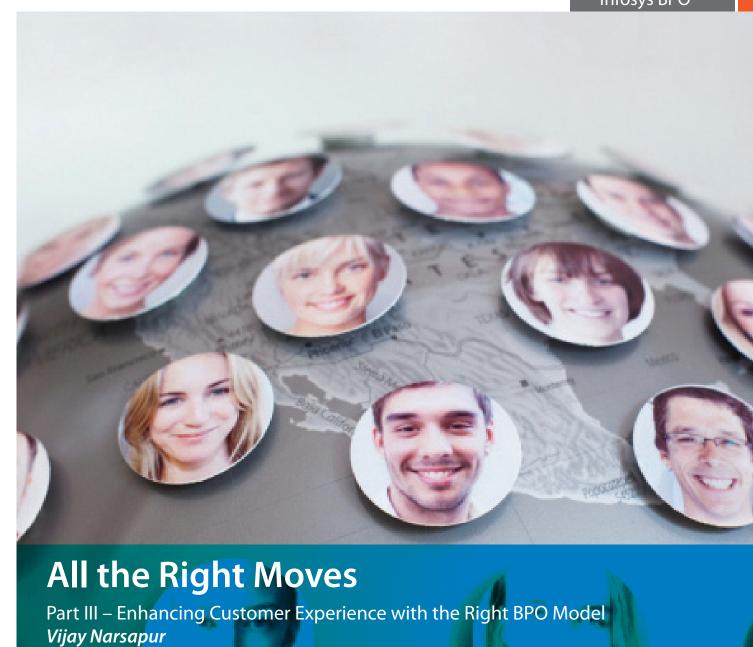Part III – Enhancing Customer Experience with the Right BPO Model
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Building
Tomorrow's Enterprise

BPO business models have evolved to their current forms with good reason. A significant proportion of BPO buyers and providers are well-informed and effective in customer service – at least that's what their measurements reveal.

However, the ever-changing boundaries between technology and process, between regulation and innovation, between changing customer expectations and company policies, have brought forth a milieu of scenarios for businesses. A direct impact of this complexity is felt when the opportunity or the need to outsource arises. Processes that touch customers, needless to say, are fraught with the greatest of risks and opportunities.

This Point of View delves into how customer needs and BPO models may be thought of together — much to the profit of both.

The Rise and Rise of Customer Service

"Why is it that the more customer service changes, the more it remains the same?", a CXO of a celebrated U.S. credit card bank once asked me at an industry conclave. It's a seemingly innocuous question, but actually a profound one.

Early interest in customer service itself was thought of as a passing phenomenon. From the 1960s, service businesses and service divisions of companies scaled rapidly — due to rising prosperity, greater awareness of information usage, the rise of user-friendly software, and a dramatic fall in telecom network prices. The "customer service promise" became an integral part of product and service offerings. One of the more famous value propositions is Scandinavian Airline Services and their "moments of truth". Even product companies were forced to rethink their customer service approaches. Shareholder and customer activism further ensured that the movement only intensified. A focus on cost and quality of customer experience suddenly merged like never before. By 2010, the customer service outsourcing ecosystem was an opportunity worth over $250 billion globally, with a few hundred mature outsourcers present across the globe. Of course, every provider claims to offer the best customer experience that money can buy.

With customer service outsourcing no longer being a novelty, managers are overwhelmed with the need to strike a balance between the customer and the shareholder. Customers have become sensitive to, and vocal about, the smallest of changes to how they are treated. Management thinkers, corporate boards and CEOs have recognized that customer service outsourcing decisions aren't tactical anymore — getting it wrong, apart from sullied reputations, can mean permanently impaired businesses. Customer service outsourcing is clearly more than a simple outsourcing decision.

Enterprises now have near equal access to capital, technology, information and other resources — consequently, dimensions of sustainable differentiation for corporations are fast disappearing, and the customer's ability to differentiate one company's offerings from another's is diminishing. An enterprise's ability to accurately identify subtle but critical differences between outsourcers is also lagging behind changes in the marketplace. This makes it dangerous to venture out and make outsourcing decisions solely on the basis of previous experience. The uncertainty surrounding investment payback has also increased dramatically. This is forcing companies to look at every cost reduction opportunity possible, and has contributed to a further rise in the industrialization of customer service outsourcing. The market quickly progressed by offering standardization frameworks. They advanced the cause of both clients and outsourcers, but left the end customer craving a 'better' experience.

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Models and Experience: A General Context

Before we dive straight into the topic of 'right business models' and 'customer experience', it is useful to understand what these terms mean in the industry context. Suffice it to say that the relationship between a BPO model and customer experience is a strong one. Improvements in the latter are rarely possible without changes to the former.

A BPO 'business model' includes a large number constructs – intellectual, technological, geographical, economic and contractual, work-migration-related, compliance-related, resourcing-related, quality-related and governance-related. There are several important variations to each one of the constructs stated above — several large businesses have been created around just the variations. But let us focus on the main characteristics that impact customer experience rather than on niche variations of the 'model'.

Customer experience is a measure of "how a customer feels, or felt". The context of the measurement varies rather widely — it relates to the overall sentiment/feeling measured for a period of time such as a quarter or a full year (for continuing customer relationships), for a "specific" interaction with similar possibilities in the future (such as a customer call or email), or for a specific "boxed" experience (such as a workshop or training). Customer-articulated satisfaction on the basis of questionnaire-type instruments remains the staple form of experience measurement today. Scientifically, the measurement process can be divided into the following parts:

1 The underlying hypotheses about what generates a good customer experience (comes from understanding your customer)

2 The data collection approach (such as a questionnaire, or other non-intrusive methods)

3 Data collection channels (like phone, IVR, email-survey-based)

4 The experience analysis framework which finally *"produces"* the 'customer experience' measurement

It is critical to note, that "experience" measurement is meaningless, unless "experience" is defined meaningfully. This is a circular issue — knowledge of the experience allows for effective measurement, and measurement improves knowledge of the experience.

There is also an element of measuring how enterprises experience their outsourcers, but we will leave that issue out for now — outsourcers that offer a great 'end customer experience' are generally likely to create a favorable opinion amongst their clientele.

Market Needs and Challenges

Outsourcers aligned with the agenda of improving end customer experience rather quickly. But it's hard to find a consensus amongst providers and enterprises on how effectively the agenda has been delivered upon. Present-day benchmark data indicates that enterprises spend a significant amount of governance efforts on the basic issues of customer experience, and sometimes compliance as well. A reasonable consensus is already in place regarding the approaches an outsourcer must adopt to generate the high-quality experience — that an outsourcer must manage costs well, must have the best talent, must provide and adhere to high levels of compliance and transparency, must be proficient in the usage and extension of telephony and CRM technologies, must have top-flite investments in quality specific technologies and processes. Needless to say, an industrial-strength transition capability is as much a must-have as a strong process improvement capability that incorporates Lean/Six Sigma methods.

But the customer service agenda is now becoming more broad-based – and the markets are demanding offerings beyond the basics. Enterprises are now looking for transformative changes to their customer service approaches. And like in every market that's pregnant with possibility, there are a number of competing viewpoints as to what can be treated as "transformative". Couple this with the fact that there is almost no information asymmetry about outsourcing costs and delivery methods between outsourcing providers and buyers. This is an important variable because it molds both overt and covert behaviors of buyers. Buyer attitudes and behaviors in turn end up determining what outsourcers can effectively provide as solutions, and still satisfy both shareholders and clients. The big question now confronting both clients and outsourcers is, "What is a customer service transformation?" And everyone agrees that a large part of the transformation is better experience.

The best answers to this question are afforded by a deep look into important issues that buyers face today. As regards a transformation in customer experience, buyers are battling the following key questions:

"What delivery model will free us (and outsourcers) from the constant issues of employee hiring, training, motivation, performance, boredom and stress, and attrition issues?"

"How do we create a leaner operations organization structure? How can we handle more volumes with lesser resources? How can we ensure that experience does not deteriorate with the optimized model?"

"How do we create a globally consistent customer experience model? WHAT is a globally consistent experience model?"

"How do we better utilize existing technologies to solve experience related challenges? What technologies do we invest in for the future?"

"How do we convert our costs into investments? How are we going to be affected by changing consumer attitudes?"

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Solutions and Challenges

A first attempt at providing solutions to questions reviewed in the last section has already been made, and there are some interesting results, and related challenges. The list is not exhaustive, but does address the most important dimensions.

1 **Operational models:** Too rigid to change?

As far as operational models are concerned, they have remained stable. This is partly due to most outsourcers accepting the role of supervisory necessities in delivering performance, and partly due to an inability on the part of some to change their contractual restrictions. Industry staffing ratios have also been legitimized or mandated by several certification frameworks and bodies such as eSCM, COPC and JD Power; and are now perceived to be pareto optimal – any changes made will affect some operational variable in an adverse manner, besides the threat of non-compliance. An industrial approach has meant a regimented approach for a large part of the workforce, which by its very nature, burns out the workforce. This is not a response to a transformational demand of customer experience by any means, but the consensus is that the model is here to stay.

2 **Commercial models:** The price is right, or so it seems

Due to almost perfect information symmetry between outsourcers and providers, buyers have been able to drive down prices to the lowest possible numbers. Every possible commercial model has been tried, from an effort-based model, to an outcome-based model, to others in between. These models were largely pushed by providers as smart conveniences to buyers. Now, outsourcer pricing has been driven down to the standard operations model only, and there is very little room available for proactive investments in innovation resources to providers via pricing mechanisms. Evidence of this phenomenon is widely observed during contract renegotiation — financial reductions passed on to buyers at this stage are inexplicably equal to depreciation costs in a large majority of cases, and outsourcers end up preserving cash and sacrificing accounting profits. This represents a long-term threat to buyers, as innovation resources on both buyer and provider sides diminish, and the overall outsourcing scenario starts approaching a 'zero sum' game, rather than a positive sum game.

3 **New channels:** Great expectations, but counterproductive outcomes

A concerted move towards FAQ-driven self-service, electronic channels such as email and chat, and IVR-based service was used to neutralize increasing customer management costs. It was hypothesized that customers would actually enjoy this experience, and the customer service world would move to a new order of "self-service only" operations. However, we now know that customers reacted negatively to many of these moves, and channels have come to co-exist with each other, rather than be substituted by each other. Costs of self-service and offline channels are well established now, and this area holds the greatest possibility of transformational change. A silo-driven approach, by channels, is further causing issues with customer experience. Social-media-driven customer service is now on its way to creating the next silo.

4   Contact avoidance: Good on paper, but the implementation…

With the rise of self-service, contact avoidance became a realistic possibility. Both outsourcer and buyer communities made aggressive attempts to implement this strategy. Contact avoidance is all about providing the customer with the means to be able to deal with simple and medium complexity questions on their own. While conceptually sound, this strategy was not looked at in a good light when unskillful implementations led to the externalization of customer service effort. Stories of customers being lost in IVRs, or being replied to with a 40-line email reply are not uncommon. Misguided implementations in this area have resulted in a massive deterioration of customer experience.

5   Incremental sales: Pull back when needed, or risk pushing them away

Buyers, in their enthusiasm to recoup investments faster, sped down the path of converting every customer contact into a potential opportunity for a sale. After all, every satisfied customer is a logical candidate for incremental sales – so went the hypothesis. However, the practical experience is that customers generally do not appreciate being bombarded with sales offers. Besides pushing customers away with a less-than-pleasurable experience, this strategy also increased costs to clients (due to handle time increases), and incremental sales did not necessarily justify this approach – and affect the customer experience negatively, it did.

6   Quality: A case of many technologies and many geographies

In the last 10 years, quality systems technology used in the customer service space has advanced significantly. Transaction recording, auditing, and advanced techniques such as speech-to-text analysis are commonly understood, and are widely used. These technologies helped realize the goal of standardized processes and delivery consistency. But this approach also created new problems. So long as the customer service function had stayed in-house or locally outsourced (as in home country/culture), a process-standardization-driven approach to customer experience was quite successful. However, when service delivery from culturally different locations gathered momentum, this approach showed clear limitations. A standardization-oriented approach, at best, was able to deliver compliance, but not a high-quality experience. The specific reasons for this differ from geography to geography, but the observation has remained consistent. The standard response to this challenge on the part of both outsourcers and providers was to increase quality process intensity, rather than making any attempt to conduct a ground-up inquiry into the situation. As investments escalated and results were marginal, the buyer attitudes towards capabilities of certain geographies hardened as a whole. This is unfortunate, and more so for the buyer, because low investments in geography-specific quality control models and technologies can easily solve this problem.

7   Analytics: Potential waiting to be unleashed, but highly unexplored

Customer-experience-related analytics has rapidly developed as an independent area. Most outsourcers did these in order to circumvent the limitations of the quality challenge discussed above. However, the vast potential of this discipline is still unrealized. Specifically, in the area of analytics, outsourcers have failed to communicate the subtle but significant differences with the area of quality management systems (QMS). A classic and unfortunately frequent example of this failure is the general inability of those claiming expertise in analytics to differentiate between correlation and cause. Consequently, buyer skepticism regarding application of analytics to customer-service-experience-related problems is extremely high, and ultimately reflects in limited efforts and results in this area.

The 'Right BPO Model' for Customer Experience

The challenges articulated in the previous section can seem quite daunting. However, pockets within the industry are taking a very different approach to addressing customer-experience-related-needs through changes to the business model, and results are encouraging. For these changes to spread over and become accepted main street models, both buyers and outsourcers will have to re-evaluate several aspects of their overall understanding of what drives customer satisfaction. Client-vendor partnerships that embrace the design points being articulated will considerably increase their chance of reaching the holy grail of customer service — that of being able to use and flaunt customer experience as a marketplace differentiator. The observations themselves are voluminous, but we will review just the key ones here.

1   Start with the resourcing model

Buyers need to accept that creating and sustaining a cultural context in an outsourced scenario is substantially different from local geography outsourcing or insourced scenarios. Specialized skill positions are required in hiring, agent training, managerial training, compliance quality, experience quality and analytics. Ultimately, this needs to translate into positional commitments from the provider, and buyers need to ensure that specialized positions will not become victims of future 'optimization' initiatives by the vendor, or plainly, moves to recoup some profits on account of relentless pricing pressure from the client. Specialized positions need to become part of the buyer's regular risk and audit process to ensure continuity.

2   Custom design the quality process for experience

The most successful designs at present separate the quality process into two parts, and compliance and experience are measured using two different processes. Observations indicate that this approach enables agents to bring in personal strengths to generate high quality experiences for end customers, instead of using a scripted approach which may not play to their strengths, and at best meets compliance requirements. Compliance and experience scores are then looked at in tandem to determine agent effectiveness. The compliance and experience processes are managed by two independent teams. Experience, being an attitude and ability issue (rather than a knowledge issue), is handled by front line managers via intensive engagement with the customer experience management team.

3   Drive "Analytically Driven Operations (ADO)"

Over the years, BPO companies have become adept at process improvement (PI), and analytics is almost always considered as a subset of process improvement agendas. A typical PI project starts with some variant of the DMAIC approach (define-measure-analyze-improve-control). An underlying assumption of PI that often goes unnoticed is that the future is assumed to mimic the past exactly – which is rarely the case in business. Hence, a more effective analytical approach is to use a combination of scenario simulation and possible responses, along with PI-oriented techniques. Simulations-based planning ensures that challenging situations are recognized "as they occur", and an early response becomes possible. Call this a preventive approach, rather than a curative one. Building an ADO approach into your business model ensures that wild swings in your operation's performance are moderated and controlled – this in turn delivers a stable and consistent customer experience. In hindsight, it seems incredible that enterprises have consistently bought 'problem fixing' ability more than 'problem prevention' ability.

4   Adopt "Probability Based Offering (PBO)"

We discussed the downsides of indiscriminate upselling and cross-selling to customers. But the need to generate revenues from customer conversations as often as possible is a reality that's here to stay. PBO comes into play when an agent is encouraged to upsell or cross-sell to customers after determining the probability of a successful sale using a 'real-time' model. A real-time model uses a 'learning and adapting' algorithm to determine the probability of a sale, and encourages a sales attempt only if the chances are above a certain threshold. This approach affords the advantage that customers are not unduly pressured into a sale, and leads to a more conducive agent-customer relationship, which ultimately produces higher overall levels of satisfaction. Design, creation and maintenance of these models, of course, is a continuing task that involves significant skills and investments with reasonably assured returns.

5   Adopt "Algorithm-based multi-step self-service"

The full power of self-service is yet to be exploited. In the first generation, support offered via these channels was restricted to simple FAQs, IVRs, or knowledge articles, or enriched media support (such as short video clips). Over time, clients also made their diagnostics and resolution processes (via structured workflows, in the form of decision tree walkabouts) available to end customers. However, this model was ineffective when it came to semi-structured, medium complexity issues. An algorithmic approach (such as case-based reasoning) ensures that customers get a resolution path that's not just customized to their problem, but customized to how they articulate a problem. Such an approach not only produces a reliable solution, but also produces a personalized experience of self-service for the customer. We believe that the next major move towards contact volume deflection and automation will come about through successful efforts in this area.

6   Measure and Reduce "Effort"

Finally, the most important issue. Measurement of 'satisfaction' or 'loyalty' in a metrics-based form alone can be misleading. Empowering the customer in the specific context of service has become synonymous with making problem resolution information available to them, through better and ubiquitous access. Based on these actions, corporations built up expectations that the effort of customer query resolution process itself can be externalized. Any hint of failure in achieving this goal is then countered with even more information thrown at the customer. Consequently, many end customers complain that they have to "do all the work" now. They feel upset that the effort of service owed to them is being shunned by companies. Along with measurement of satisfaction, we must measure 'customer effort', or the experience of what it costs the customer in terms of intangibles to deal with the enterprise. Customer service associates and managers believe that the 'effort' issue applies internally too. Suboptimal designs that ignore the effort levels required from employees end up alienating them – this sense of alienation is then carried over to end customers.

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Customer Experience Success Stories

BPO models and customer experience are both vast subjects, and each of the suggestions we've made in order to help you improve your end customer's experience is an independent subject by itself, with several possible variations. The most important thing to note is that these suggestions are not 'hunches', but are scientifically tested approaches drawn from varied disciplines such as Engineering, Psychology, Statistical Quality Control and Economics.

Infosys BPO has drawn on these disciplines heavily and built proprietary approaches in technology, algorithm-driven sales, behavior-based coaching and other analytical frameworks so as to help our clients deliver differentiated services to their end customers. The caselets in this section highlight some of Infosys BPO's successes using the approaches recommended in the previous section.

The right mix of technology interventions and process changes

To a large U.S. telecom service provider's customer service organization, Infosys BPO recommended a "wrapper technology" tool which could be used in conjunction with their existing CRM systems. Using this tool allowed the client to create a single view of the end customer for their associates – across 23 different applications. This change resulted in a significantly improved ability amongst customer service associates to resolve end customer problems. Contact quality scores increased and handle times came down by as much as 10%. End customers benefited because they were able to get improved resolutions by spending lesser time, and client associates felt greater fulfillment due to the evidence of increasing numbers of satisfied customers, as well as reduced rework and complaints.

This is a direct example of a change recommended by Infosys BPO that resulted in benefits to both end customers and agents. This example also illustrates that 'effort reduction' ideas may come from both technology interventions as well as process changes.

A multi-faceted approach of a custom resourcing and delivery model, coupled with technology interventions

For a large, global telecom equipment manufacturer, Infosys BPO provides outsourced operations that involve customer and channel partner contact through multiple channels from five locations across five continents. While the relationship governance philosophy across all operations centers is the same, day-to-day management and operations structures are geography-specific. This has allowed end customers to experience 'personalized' delivery, without the fetters of inflexible contracts. The client has been with Infosys BPO for almost 7 years, and local resourcing models have evolved continuously over time – they have explicitly changed to fulfill customer expectations.

The approach of moving away from a rigid and pre-defined, contract-driven delivery model, to one that's continuously malleable to customer demands has allowed the provider to deliver high levels of customer satisfaction. The client has benefited by capitalizing on satisfied customers, introducing target campaign mechanisms, and realizing the sales potential of service calls to the fullest.

This is an example of how a multi-faceted approach of a custom resourcing and delivery model, coupled with technology interventions can deliver high-quality experience and revenues concurrently.

The Way Forward

Suffice it to say that customer experience is built into the model. Often times, early decisions take hold of an outsourcing program's culture and possibilities, and changing this situation can be a large and risky undertaking. On the same hand, once elements that are crucial to customer experience have been built into your business model, sustainability becomes easy, and all the advantages follow from there on. While features of products and services continuously evolve, and their differentiation erodes over time, companies that invest in customer experience will be paid in handsome gains many times over. Furthermore, management literature now conclusively states that while product features are easy to copy, experiences and cultures are durable, and next to impossible to replicate.

Back now to the industry conclave, I asked the SVP whether they had designed 'customer experience' into their model, or had merely assumed that one model was as good as another in order to deliver the required experience benefits. He turned pensive, then reflective, and finally, resolute. I suppose he had bought the message hook, line and sinker.

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Vijay Narsapur is an Associate Vice President and the Strategic Business Unit Head for Customer Service at Infosys BPO Limited, a fully owned subsidiary of Infosys Limited. In this role, Vijay is responsible for all customer-service-related sales, pre-sales, solution design, products and offerings, and delivery-related activities. He is also responsible for strategic activities of the practice such as M&A, alliances and selection of delivery location.

Vijay has been with Infosys BPO since February 2009. Since then, the notable achievements of the Customer Service Practice at Infosys BPO have been expanding the Customer Service business in the Philippines and Europe, and starting service offerings delivery in the Americas. Recently, the Practice has added several exciting offerings in the Social Media space, and was mentioned as a leader by a notable independent analyst firm.

Vijay began his career in CRM with Deloitte Consulting's Parsippany-NJ office in 1998. He co-founded iSeva, a BPO company, in March 2000. After iSeva's partial acquisition in 2004, Vijay returned to India and has since been playing senior roles in the global BPO industry. In his previous role before joining Infosys BPO, Vijay was the SVP-Operations with Aditya Birla Minacs. Vijay is an Engineer-MBA by training, from IIT-Mumbai and IIM-Lucknow respectively.

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