

**HTK Managing Director Marlon Bowser addressed a Webinar on December 4, 2008, hosted by Customer Strategy magazine.**

The economic downturn is still in its relatively early phases but is now biting hard. Recession is with us in all but name and is likely to be confirmed at the end of this year with two consecutive quarters of negative growth in the UK economy. And of course it's a global problem too.

Business and consumer confidence are at levels not seen for a quarter of a century. Economists agree that the downturn will last at least two years, become more pronounced next year (2009), and not tail off until around 2011. Against this backdrop some key issues need to be addressed.

- How should organisations be tailoring their customer strategies at a time of prolonged economic hardship? Where is the competitive advantage to be gained?
- Is giving great and consistent customer service even more important or should organisations concentrate on cutting costs and concentrating on price?
- Where does the so called 'customer experience' fit with this. The pressure is on to deliver more for less. How can this square with the needs of ever demanding customers?
- Should organisations concentrate on getting closer to their customers and their people? Will this help gain market share over rivals who forget about their customers in the drive to cut costs?

This online seminar focussed on the harsh realities of today's economy; on how it impacts on customer sentiment and the buying decisions customers make when the chips are down.

Questions raised by the audience during the seminar are answered here.

1. [What is IVR?](#)
2. [In the UK, how do you make these multi-channel contact facilities affordable to the SMB environment, bearing in mind that 60% of the UK workforce is SMB orientated?](#)
3. [Do main board directors see improved customer engagement as a way of gaining a cutting-edge or will they focus only on cutting cost and headcount, moving more customer contact to online and self-service without regard for customer service?](#)
4. [Are companies using technology to cut-cost and paying little attention to developing a customer engagement strategy?](#)
5. [Do you think the public would be more open to receiving this type of information from the Public Sector rather than a utility etc, which may be seen as intrusive rather than informing?](#)
6. [It was pretty tough during the good times. What will it be like during the bad times?](#)
7. [What should we do to set up a call centre initially?](#)
8. [Ideas for leading customer service improvements in a local government environment where most customers are "captive" and have little or no choice to change service provider? I'm especially interested in reducing avoidable contact.](#)
9. [How would you suggest it is best to promote a new knowledge-based web self-service solution?](#)
10. [What is your idea of outsourcing customer services in this climate?](#)
11. [How much does the development of personal qualities like empathy in front-line staff improve the speed and accuracy of response? As much as technology?](#)
12. [As we all increase our efforts to focus on service and retention of customers, do you think customers will react in the traditional manner or will they be more driven by cost in the current climate?](#)
13. [All web 2.0 trends are showing that customers are expecting consumer brands to adapt to their channel of choice. The issue with customer care leaders is that very few have grown outside of the call centres. IVR, handsets and Web are an afterthought, some sort of second priorities. What's the best approach to change this mindset?](#)

### 1. What is IVR?

Interactive Voice Response, which can be implemented as push-button (touch-tone) telephone menus and/or using speech recognition. IVR is typically used for inbound call handling, to discover the most appropriate destination for routing a call or to provide customer self-service, but is more frequently being used to automate outbound calls too.

The key benefit of IVR is cost-saving, i.e. it's typically much less expensive for a customer to talk to a "machine" than to a person, but outbound IVR can also deliver timely information that would otherwise be difficult to achieve and so can provide a value-added service.

### 2. In the UK, how do you make these multi-channel contact facilities affordable to the SMB environment, bearing in mind that 60% of the UK workforce is SMB orientated?

Over the past few years, more and more capability has been made available through the Web to platforms hosted "in the network" rather than in-house. This model is often referred to as "software as a service", or SaaS.

SaaS offers several benefits, particularly to small businesses. Not least is the fact that market-leading capabilities (the same as used by much larger organisations) can be made available without the need to invest in expensive systems or software up-front. SaaS is typically available "on demand", meaning that you pay for what you use, when you use it, so it can be extremely cost-effective (often including a free trial).

HTK Horizon™ is "software-as-a-service for customer interaction"; enabling multi-channel customer contact facilities to be implemented without capital investment, so is ideal for small businesses. For larger businesses it can enable more "agility" because it allows new capabilities to be evaluated and implemented quickly, and scaled up- or down as needed.

You may be interested to read the "HTK SME Market Survey"; please get in touch for a copy.

### 3. Do main board directors see improved customer engagement as a way of gaining a cutting-edge or will they focus only on cutting cost and headcount, moving more customer contact to online and self-service without regard to customer service?

There is nothing intrinsically wrong with a plan to reduce operating costs through the application of web and other self-service channels. Indeed, recent advances in technology have opened up massive new scope for cost saving (such as the £900m spent every year on identifying and verifying callers; a process that takes on average 20 seconds per call).

There is also nothing to say that, for many routine tasks, self-service channels cannot provide a tremendous customer experience. It's an often used example, but cash-points demonstrate that self-service can actually be preferred over person-to-person interaction.

The challenge is to identify which tasks can be effectively self-served and then to educate and condition customers to use those facilities. The alternative of "forcing" customers to use self-service (the lower-cost option) can work if the other characteristics that drive the overall customer satisfaction – such as value for money – balance the equation.

It's not a trivial thing to get right, which is why we're seeing more and more businesses put in place Board-level or senior responsibility for customer satisfaction / experience. Without the appropriate focus – and good customer service should be at the heart of any business – self-service channels can be a false economy.

In the current economic climate, when the advice is to "compete on service", getting it wrong (or not correcting it soon enough) can have damaging financial consequences.

## 4. Are companies using technology to cut-cost and paying little attention to developing a customer engagement strategy?

This is a problem, but it's not a new one. For decades we've had touch-tone IVR menus that frustrate almost every caller on every call. For the past 10 years we've had self-service websites that attempt to deliver too much with too little.

Over that time, technology has been moving at such a rapid pace that it's a wonder there are any "bad" systems still out there, and yet the problem of customer frustration remains. These days, with open standards for data and system integration, there's little excuse.

Part of the problem has almost certainly been caused by too much focus on the business bottom-line and insufficient focus on meeting the needs and wants of the customer. The high cost of developing and deploying solutions has often dictated a financial business ownership, perhaps with a mantra that "doing the same as everyone else" is sufficient to stay competitive and provide an acceptable customer experience.

With the advent of cheaper and more accessible technology (through software-as-a-service and land-slide changes in global telecommunications networks) organisations are finding the time and financial resources to spend on "innovation of the customer experience". Times are changing.

## 5. Do you think the public would be more open to receiving this type of information from the Public Sector rather than a utility etc, which may be seen as intrusive rather than informing?

Whilst the reality is that members of the public are unlikely to "defect" from their local council because of poor or

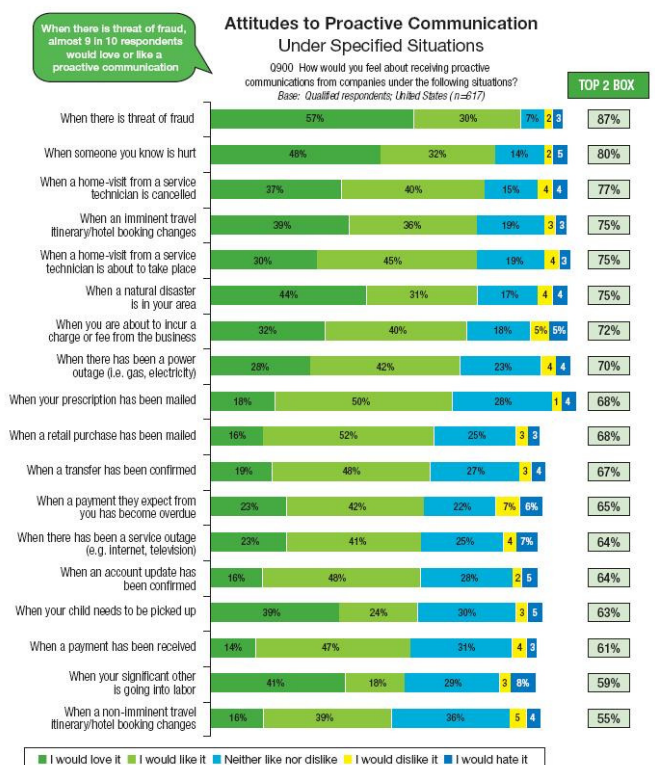
intrusive service, and so the commercial implications of "failure" are somewhat different than with private organisations, the public perception and therefore the success of automated outbound contact services will be driven by very similar factors.

Most importantly, do I personally value the service?

The Suffolk Constabulary "Police Direct" survey results showed that over 99% of respondents viewed the service as valuable, but that was on an opt-in basis. However, recent research by Nuance has shown that a wide variety of services have the potential to deliver similarly positive results.

If you plan to offer a proactive communication service, consider making it available on an opt-in basis, i.e. provide customers with the facility (through the web, phone or SMS text message) to sign-up to receive – or opt-out of – the service. We see a massive potential for organisations who can adapt their customer strategy on such a personalised 1-to-1 basis.

### Proactive Communications Preferences & Attitudes



### **6. It was pretty tough during the good times. What will it be like during the bad times?**

Our expectation, unsurprisingly, is that competition will become fierce. The first move for many businesses will be to focus on a retention strategy, renewing contracts and locking customers in for as long as possible – even at the sacrifice of profit margin. As such, a parallel focus to reduce operating costs is inevitable.

Such fierce competition could easily create a buyer's market and increase the risk to any business that cannot rapidly adapt its product or proposition to compete. In a crowded market, the only way to survive is to offer distinct business value.

But a crowded marketplace also creates opportunity, and it will often be the fastest (and not necessarily the fittest) who excels. Focus on innovation of things that truly matter to your customers; ask them what they want, tell them what to expect and continually deliver on that promise. The bad times can be the good times, but only for a few.

### **7. What should we do to set up a call centre initially?**

Clearly it is people that predominantly define the success of any business, but with regard to technology I would recommend that you first look at hosted solutions.

There really is no need these days to implement expensive in-house systems unless you particularly want to. Look at Voice over IP, with hosted PBX and ACD software available on the web. Even advanced capabilities, such as HTK Horizon™ for customer self-service and marketing, can be acquired on-demand without capital investment.

With many vendors adhering to open industry standards such as the Session Initiation Protocol (SIP) and web services for integration, you should have no problem evaluating your options and creating a mix-and-match of best-in-class

components that suit the needs (today and tomorrow) and budget of your business.

### **8. Any ideas for leading customer service improvements in a local government environment where most customers are "captive" and have little or no choice to change service provider? I'm especially interested in reducing avoidable contact / failure demand.**

National Indicator 14 (NI 14) is one of the 198 indicators against which local government will be assessed; councils will be required to report NI 14 data for the first time in April 2009.

The NI14 indicator aims to reduce avoidable contact between the community and local authorities, for example the number of calls from citizens to chase progress on service requests. Such calls are usually of little value to either the citizen or the local authority, but can often represent a significant proportion of contact volume and cost.

HTK has a wealth of experience in the public sector and has developed a range of plug-in modules and application use-cases for HTK Horizon™, specifically to address the key challenges of; efficiency and cost-savings to meet Gershon Efficiency Review targets, citizen-centric service delivery and service transformation under the 2007 Comprehensive Spending Review, and improved multi-channel and multi-lingual accessibility for maximum social inclusion.

Proactive automated outbound communication, especially when linked to inbound self-service channels, is an area where avoidable contact can be significantly reduced. Hosted and multi-tenanted platforms such as HTK Horizon™ also provide a fundamental cost-saving opportunity for local authorities working in partnership, i.e. as a shared service.

### 9. How would you suggest it is best to promote a new knowledge-based and innovative internet based system?

The first question to ask whenever you launch a new product or service is; who are you marketing it to and why do they need your product or service? The more specific you can be – the more you can narrow your audience – the more you can tailor your message.

Your solution sounds quite technology focussed, so make sure that the marketing explains in clear and plain English what it does and why it is different to what's already available. People often find case studies useful, where they can clearly relate to the situation.

It's a fact that where people would previously have asked their family and friends for advice and opinion, the "social web" has conditioned people to seek that same guidance from complete strangers! Take advantage of those social networks as part of your strategy.

Education will probably play a big role. Does your target audience even realise that they have a problem that your new service can solve? Do they perceive it to be a big enough problem to change their current behaviour?

To find out, you might consider conducting a survey. This is crucial. If you don't approach the problem like your audience does, they won't make the connection that your service will be of benefit to them.

### 10. What is your idea of outsourcing customer services in this climate?

As a strategy to reduce fixed operating costs, particularly headcount, outsourcing customer services is potentially a good solution. But as a cost-saving measure it can fall down for very similar reasons to inappropriately enforced self-service.

Whether a call is answered by an interactive voice system or a human agent, the caller will have a task in mind that they want to conduct and an expectation of what should follow. If their expectation is not met, or if their intended task cannot be completed, the call will fail.

Machines can complete a predetermined task in a predetermined way, and they can do that very well. Machines cannot quickly ascertain the detail of a task to be completed if it does not fit that pre-determined script, and machines cannot empathise with a person to share a common goal of problem resolution. People can.

Customers know that, instinctively and through experience. So if a person answers a call and cannot quickly ascertain the task that needs to be completed, or work through it with the required level of understanding and empathy, the gap between expectation and reality – or negative customer satisfaction – may be more pronounced than with poor IVR self-service.

### 11. How much does the development of personal qualities like empathy in front-line staff improve the speed and accuracy of response? As much as technology?

Before you can answer a question you need two things. First you need to know exactly what the question is, and then you need to recall or otherwise formulate the answer.

That might appear to be an obvious over-simplification, but as humans we rely upon our ability to empathise and to create our own view of what the person we're communicating with is thinking. It's called "theory of mind" and it's one of the fundamental limitations of human-computer interaction and "artificial intelligence".

Personal qualities such as empathy, or just good listening skills, can help to quickly identify the reason for a call – from the caller's perspective – and move it forwards to resolution in a manner that is appropriate.

Other personal qualities such as language, accent or dialect, and environmental or cultural differences can impact the ability to form a shared understanding – an empathy – with the customer and thus slow-down or otherwise inhibit the process of serving them.

The second part of the process, of formulating a response, can be assisted by technology. Only if the agent (or self-service system) has the right information at hand can it provide an accurate and timely answer.

In short, technology allows people to do their job in a way that enables their personal skills can shine.

### **12. As we all increase our efforts to focus on service and retention of customers, do you think customers will react in the traditional manner or will they be more driven by cost in the current climate?**

Customers will be driven more by value for money, which for commodity products will largely be determined by price. As such, in commodity markets such as insurance or utilities where it is more difficult to add distinct value around the proposition or innovation within the product, a focus on quality and customer service is likely to pay-off as a way to differentiate and compete.

But value for money is not only driven by price, and customers will make their own judgement on how important price is as a determining factor against other attributes such as quality and a commitment to the customer. We may see a more fragmented customer base, and more segmentation of propositions and operating models.

It is likely to be a two-way street. In order to retain profit margin the cost of revenue will need to be more closely considered in some markets, in which case the expectation of customers may need to be managed by the business rather than vice-versa, i.e. a “push” on the market to expedite the process of natural selection.

### **13. All web 2.0 trends are showing that customers are expecting consumer brands to adapt to their channel of choice. The issue with customer care leaders is that very few have grown outside of the call centres. IVR, handsets and Web are an afterthought, some sort of second priorities. What’s the best approach to change this mindset?**

The best approach to change a mindset is to demonstrate success; whether that is success within the business, or the success of peers or competitors.

However, it’s not always easy to identify the right performance indicators for comparison, let alone to quantify the results, so an approach of rapid innovation and direct customer feedback can often be a practical way forwards.

Our approach is to get key stakeholders together in a Technology Workshop, to demonstrate state-of-the-art multi-channel capabilities and facilitate a direct comparison between an organisation’s existing systems and the market leaders.

The next steps are to ask; “how should we apply these new capabilities”, “what will be the financial benefit to the business” and “how will our customers react to the change”. To answer those questions, we offer an Application Discovery Workshop and a step-by-step approach to prove concept, quantify the financial business-case, and measure customer perception.

The use of a web-based platform, such as HTK Horizon™, can enable rapid implementation at much lower up-front cost than an in-house solution.