How Good Is Your Customer Service?

By Irene Cherkassky & Hallie Mummert

Take the test: customer service best practices revealed.

What's the state of customer service in America? Given all the attention this topic generates in a consumer-driven marketplace, you probably don't need to read the following statistics—but to make a point, we're going to tell you anyway.

Consider that:

- A March 2006 study released by JupiterResearch reported that more than half of online consumers are taking their business to other merchants or service providers because of poor online service. Ouch!

- The Customer Care Call Center Survey, research conducted over the course of 2005 by Ernan Roman Direct Marketing and based on the feedback of a few hundred direct marketing industry professionals and college students, found that nearly two-thirds of respondents rated their recent customer service call center experience to be negative or neutral.

- The Customer Care Call Center Survey also reported that 83 percent indicated that a negative customer service experience would damage their perception of the company in question and 72 percent would reconsider making a purchase from the company in the future.

In case you're thinking these issues pertain only to outsourced customer service, think again. Ernan Roman Direct Marketing's research determined that more than one-third of respondents reported that reaching an in-house call center had no influence on how callers perceived their experience—in-house isn't automatically equated with better service.

The main irritants cited by these survey respondents—long wait times and slow problem resolution—come as no surprise to Mitch Lieber, principal of Lieber & Associates, a call center management, metrics and technology consulting firm in Chicago. When it comes to service levels, he explains, all performance metrics have to do with how long customers have to wait when contacting a company for help.

More effective service is good for customers, but it's also good for direct marketers, too. "The most efficient use of sales dollars for a company is in its customer service department," says Lieber. "You want to plug your leaky bucket, so it costs less to keep the customers you have than to go out and acquire more."

To help you see how many leaks you have and how bad they are, *Target Marketing* worked with leading customer service and contact center experts to develop some general benchmarks and best practices for providing a consistent, high level of customer care.

Take the test—*Target Marketing*'s second Best Practices quiz—and see how good your customer service is. And if you didn't get a chance to assess your data hygiene practices with our 2005 Best Practices quiz, you can still take the test by visiting www.targetmarketingmag.com and looking for "How Clean Is Your Database?" in the Web Exclusives section.

The Questions

To take this test, circle one answer for each question, based on the response that best represents how your customer service department handles contact. Of course, not every set of possible answers will offer you a selection that fits your practices exactly. For the purpose of this exercise, try to get as close as you can or choose what you think is the best practice. Then scroll down to see if your customary methods meet industry best practices for responding to customer service requests efficiently.

1. What is the optimum average abandon rate?
a) 1 percent or less
b) 2 percent or less
c) 3 percent or less
d) 4 percent or less

2. What is the optimum average speed of answer?
a) 60 percent of calls within 30 to 40 seconds
b) 70 percent of calls within 30 to 40 seconds
c) 80 percent of calls within 30 to 40 seconds
d) 90 percent of calls within 30 to 40 seconds

3. What is the maximum annual turnover rate for customer service reps?
a) 5 percent to 10 percent
b) 10 percent to 20 percent
c) 20 percent to 30 percent
d) 30 percent to 40 percent

4. What is the ideal call monitoring rate per customer service rep?
a) 4 calls per month
b) 12 calls per month
c) 20 calls per month
d) 40 calls per month

5. What is the optimum response time for an e-mail inquiry?
a) 1 hour
b) 4 hours
c) 24 hours
d) 72 hours

6. Within how many contacts should you be able to resolve a customer service issue?
a) one
b) two
c) three
d) four

7. What is the optimum Web self-service rate?
a) 50 percent to 69 percent
b) 70 percent to 89 percent
c) 90 percent to 100 percent
d) none of the above

8. What percentage range should you aim for with your gap analysis report?
a) 50 percent to 69 percent
b) 70 percent to 89 percent
c) 90 percent to 100 percent
d) none of the above

9. Where should you place live chat links?
a) homepage
b) product description page
c) order page
d) all of the above

10. What is the optimum response time for a live chat inquiry?
a) 15 to 30 seconds
b) 30 to 60 seconds
c) 1 to 2 minutes
d) 3 to 5 minutes

The Answers

1. What is the optimum average abandon rate?

Answer: b) 2 percent or less

Your maximum abandon rate should not exceed 2 percent of calls, from peak to slow periods, says Ernan Roman, president of Ernan Roman Direct Marketing, a customer service marketing consultancy in Douglas Manor, N.Y. Based on research conducted for his firm's clients, Roman cites that 25 percent of all abandons never call back, which could mean they went to your competitors to find what they needed.

But know that abandon rates are complicated to measure, notes Mitch Lieber, principal of Lieber & Associates, a call center management, metrics and technology consulting firm in Chicago. Most call abandons take place within the first 10 to 15 seconds of going into the call queue, he explains, so it's likely these callers have hung up for a reason other than too long of a wait time—say, they received an incoming call or their child or spouse required their attention. Whatever the reason, these abandons should not be counted in your abandon rate or they will pull down your real performance rate.

2. What is the optimum average speed of answer?

Answer: c) 80 percent of calls within 30 to 40 seconds

This is sort of a trick question, in that it's fairly impossible to determine an average speed of answer (ASA) across all verticals and even all customer segments. Factors that affect the optimum speed of answer include business category, competition levels, customer ranking and more. For example, says Lieber, most B-to-B direct marketers cannot afford to let callers be put on hold; usually, B-to-B firms' customer service centers answer all calls within four rings. He notes this is true in other service-critical industries, such as stock brokerage.

Of course, if all companies could meet this often-reported ASA, abandon rates probably would drop and customer satisfaction levels improve.

Lieber believes this baseline metric was developed decades ago, after the Pareto Principle; in this case, 80 percent of your calls are assumed to come from 20 percent of your customers. So, companies focused on meeting a standard level of service for just 80 percent of calls. The main problem with this approach is

that you can't tell which 80 percent to service at any given point; one of the callers in the 20 percent group getting below-average service could be your best customer.

Instead of attaching your ASA benchmark to only a portion of your calls, a more effective method is to adopt a trilevel system to manage wait times, says Lieber. For example, you could set ASA goals as follows:
- 80 percent of calls in X seconds;
- 99 percent of calls in X seconds; and
- 100 percent of calls in X seconds.

This system lets you determine how well you will handle all your service calls and see where you can make improvements without ignoring a significant percentage of callers. It also can help you catch those rare calls, Lieber explains, where someone might sit on hold for five to eight minutes.

One final note on ASA: If contact centers use interactive voice response (IVR), caller wait time should be measured from the time a call comes into the IVR—not from the time when the caller was transferred to a live representative. To a customer, Lieber emphasizes, all time spent on the phone waiting to get her question addressed counts.

3. What is the maximum annual turnover rate for customer service reps?

Answer: b) 10 percent to 20 percent

Not many people talk about representative turnover rate with regard to customer service performance—especially not in a quantifiable way—but contact center experts agree staff turnover has a negative impact on service levels. An annual turnover rate higher than 20 percent indicates an unsatisfactory center environment, says Roman, and that has to come across to customers. In addition to low morale, a high staff churn rate affects the center's overall product/program knowledge level, resulting in less accurate, efficient service for customers.

Such an environment is further aggravated by unrealistic service benchmarks. If your customer service department only hits its internal benchmarks 70 percent of the time, then your goals are going to bring down the morale of the representatives. Either set more reasonable goals or provide additional resources so the target is reachable.

4. What is the ideal call monitoring rate per customer service rep?

Answer: d) 40 calls per month

"The obsession with technology and putting in the latest software in centers, while important, has caused marketers to overlook the most important point in customer contact: the human aspect in improving the customer experience," says Roman. Lieber agrees, adding that often it's not what reps say, but how they say it that can make a difference in how a customer perceives a service experience. Monitoring and training are key to helping reps fine-tune how they handle service situations.

Roman advises contact center management to monitor 10 calls for each rep every week. Calls should be evaluated, graded and reviewed with the reps. Many call centers monitor only two to four calls per rep per month, says Roman, which means these service staff don't receive enough oversight or support to ensure service levels remain consistent or even improve.

5. What is the optimum response time for an e-mail inquiry?

Answer: b) 4 hours

Optimally, consumers should get an answer within four hours. Liz Kislik, president of Liz Kislik Associates LLC, a customer service management and employee development consulting firm in Rockville Centre, N.Y., says, "If you're not responding within four hours ... your customer is having increased anxiety." Kislik notes current studies from JupiterResearch and the Customer Care Alliance, a research and advocacy group whose member companies are dedicated to customer care, have found a large proportion of e-mail requests do not get answered for up to three days, leading to extremely disgruntled customers.

"Generally consumers expect a response within 24 hours; they are thrilled if they can get it in less than four hours," elaborates Greg Gianforte, CEO of Bozeman, Mont.-based customer experience management solutions provider RightNow Technologies. In fact, anything more than a day will damage your relationship with the customer, he warns.

However, Gianforte acknowledges different types of questions may warrant different time frames. If the question is related to order placement, you must reply as soon as possible. After all, if a customer is ready to place a birthday gift order for delivery the following week (or day), but can't get a speedy answer to his shipping- or product-related question, he quickly will move on to a competitor that is able to answer the question right away. However, if the query is about a technical issue, such as a repair, a response time of up to 24 hours is more acceptable.

Additionally, regardless of the type of inquiry, best practice dictates that upon receipt of the customer's e-mail, it's essential to immediately send out a reply confirming that the query was received and how soon the customer should expect a full response.

Keep in mind, however, there is little room for mitigating circumstances or excuses when it comes to customers' service expectations. "The consumer is trained to act a certain way," explains Lauren Freedman, president of Chicago-based The E-tailing Group, an e-commerce consultancy. "They don't care what size [marketer] you are. They have a certain set of expectations that you're going to be judged against," no matter whether you're small or large, new to the Web or established.

Likewise, consumers do not differentiate between open-ended and closed-ended inquiries. Whether it's a simple yes or no question, or a more complex query, customers still expect a quick acknowledgment of their e-mail—at the very least—and a full answer ideally within that four- to 24-hour time frame.

6. Within how many contacts should you be able to resolve a customer service issue?

Answer: a) one

"The vast majority of your service issues should be resolvable in a single contact," says Kislik. Once again, this comes down to consumer expectations. "I don't think the consumer is looking to carry on a conversation with you," points out Freedman. One way to reduce the number of contacts needed to resolve an issue, as well as speed up your overall turnaround time, is to categorize the kinds of complaints or inquiries that come in. Kislik suggests creating a decision table or a branching diagram to help figure out how you're going to resolve different types of problems, which will help you create a standardized library of responses—whether in the guise of form letters or paragraphs you can slot in. "If you know how you intend to resolve something, you [can] come up with an [effective] way to say it," she notes. "Then answering the e-mails is really more like operations, instead of creative writing."

7. What is the optimum Web self-service rate?

Answer: c) 90 percent to 100 percent

Gianforte defines a Web self-service rate as the percentage of visitors to a Web site who find the answer to their inquiry and/or problem and don't have to phone or send an e-mail to your customer service

representatives. It's an effective measure of your Web customer service capabilities. He advises marketers to aim for percentages in the high 90s. "The number of e-mails you get is actually an indication that, in fact, someone couldn't find an answer [on your Web site]," he explains. "The more e-mails you get, the worse job you did on Web self-service. So the first thing you want to measure is your Web self-service rate, and we typically express that as [the number of] e-mails as a percentage of the total number of site visitors."

Gianforte suggests using either an integrated solution or using your Web logs to gauge the number of e-mails and determine your self-service rate. "If your self-service rates are only 50 or 60 percent, that means 40 percent to 50 percent of the people coming to your Web site can't find their answer, so you're training them to send you e-mails or call you on the phone," he says. Worse still, they may turn to your competitor. "It's not until you get well north of [an] 80 percent self-service rate that you build a [customer] following."

To boost self-service rates, Gianforte advises marketers to think through their Web user interface. "There is a strategy about designing the right level of touch and understanding the cost model associated with it," he says. "But the most important thing is to come at this from the customer perspective."

For instance, don't include just your telephone number on your "contact us" page; rather include all the customer contact options: telephone, e-mail and live chat. "Every option other than the phone is going to be less expensive and might actually be able to answer the customer's question faster," he points out. If your margins are very tight, however, you may lean more toward Web self-service or e-mail and restrict the phone number to areas of the Web site where it's warranted, such as the order placement page. But it's essential to put contact information at the point of need. "If there's a page that would logically lead someone to ask a question, that's where it ought to be," Gianforte concludes.

8. What percentage range should you aim for with your gap analysis report?

Answer: c) 90 percent to 100 percent

A gap analysis report, describes Gianforte, lists all the keyword searches conducted by customers during a recent period; that can be a week or a month, depending on a marketer's preferences and needs. "This gap analysis report really focuses in on what people are searching on, [and] if you have the [Web] content to satisfy their request," he explains.

For instance, a gap analysis report can help you see that in a certain week there were 2,000 searches on the keyword "installation." You then also can see how many items in your online content library actually matched that term. Once again, your results optimally should be in the high 90s.

Gianforte strongly believes that organizations should have a content administrator who can analyze this report at least on a weekly basis and make the appropriate adjustments. For example, a marketer may use the keyword "installation" on its Web site, but customers may be searching for, "How do I plug it in?" he describes. "[You've] got the content in there, but nobody can find it because [you're] using a different vocabulary than the customer." That's where a content administrator can help meet the gap by making sure the inquiry, "How do I plug it in?" will bring up the information on installation.

9. Where should you place live chat links?

Answer: d) All of the above

Where you place your live chat link is determined by your costs. The benefit of live chat is it gives marketers the opportunity to provide a real-time, interactive capability at critical points in the customer lifecycle, such as the point of purchase, where it can help to reduce abandonment rates.

"We're seeing more companies use it as a preferred method for detailed, technical support," adds Gianforte. Using chat also helps marketers keep costs in check, as it is a less expensive option than phone-based customer service. Nonetheless, it is the next to most expensive option, so some marketers may choose to promote it sparingly. "You have to look at the business requirements and make a determination based on what your costs are," explains Gianforte. "Depending on the margins you make on your product, you have to be prudent where you put [chat]," notes Gianforte. A marketer that makes better margins on its products may be able to sprinkle live chat links more liberally, such as on its homepage, product description page, order page, and so on. Meanwhile, a marketer with products that have lower margins may not be able to afford to put a live chat link even on its order page.

10. What is the optimum response time for a live chat inquiry?

Answer: a) 15 to 30 seconds

"Your service levels here should mirror the service levels you have for your phone calls," says Gianforte. Live chat allows for a real-time dialog between marketer and customer. As such, customers will expect a representative to be available to respond to them very shortly after they've keyed in their question.

As with e-mail, ideally a live chat inquiry also should be resolved within one chat.

To read more about contact center benchmarks, including a process for how to set your own internal benchmarks to plot progress, check out "Benchmarks & Best Practices," in the March 2006 issue of Catalog Success*. To access this article online, visit the TM Group Article Archive at* http://www.targetmarketingmag.com/doc/tm_article.bsp*.*