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The big picture for Call Centres

The Lean Contact Centre

A joint white paper from RXP and Peter Hyde Management Consulting on how eliminating waste can save you money, improve the customer experience and transform your Contact Centre performance.

27 January 2006



Introduction

In our everyday lives doesn't it feel like there is more contact going on – more 'junk mail' landing on our doormats, more emails arriving in our inboxes and, despite the fact that call costs are decreasing, higher phone bills to pay!

If this is true, then our Contact Centres are facing a seemingly impossible challenge:

- Call volumes are rising, for seemingly no particular reason;
- There is increasing competition, which means that we need to provide a better customer experience.
- Whilst at the same time – there is an ever-present pressure to reduce costs.

In this white paper we argue that the answer to this conundrum is to apply Lean Systems Thinking to try and eliminate waste in the Contact Centre. We will look briefly at these three pressures, describe how waste is present in most Contact Centres and put forward an approach for addressing the problem. The outcome we are seeking is to help you improve your Contact Centre performance, improve the customer experience and reduce (or at least contain) your costs.

Rising call volumes and increasing complexity

Most organisations are experiencing an increase in contact from their customers. The drivers for this are:

- Increasing customer expectations to be able to make contact when and how they want to.
- New channels being opened up (especially web and email) and existing channels (especially telephone) being open for longer.
- Perceived time pressure: people don't read the guidance notes they just phone for clarification, and they expect an increasingly quick response to post and email.
- Increasing rates of change in society: people change jobs, homes, partners, products, providers of services etc. ever more quickly.

There are a few exceptions: the Chief Executive of Direct Line recently said that call volumes were now falling as customers make more use of online services.

Additionally, the advent of web self service has meant that customers often phone after they have done some preliminary research on the organisation's web site – and as a result calls are often more complex and take longer to deal with.



Customer experience

For example, Citizens Advice found, based on a large national survey, that 97% of users had some criticisms of these experience of call centres.¹ The main ones were:

- Contact, including getting through and costs in time spent on the phone and costs of lengthy phone calls.
- Automated phone lines.
- Access, including the need for a face-to-face contact option and meeting disability and language needs.
- “Passing the buck”, including being passed on from one phone number to another, lack of follow up, poor accountability and ineffective problem resolution.

The authors conclude: “there is a long way to go to achieve the right balance between high volume, resource efficient and consistent standards of service on the one hand and accessible, responsive and personalised services for all on the other.”

Research by Teleconomy (now intersperience)² found that over the last five years, customers’ expectations of contact centres have increased dramatically – 32% of customers now expect “excellent” service compared with 24% in 1998. However, Teleconomy also found that customer satisfaction against these increased expectations was significantly lower than in 1998 – 12% of customers are “dissatisfied” with the service provided whilst 15% were left feeling “irritated”, “annoyed” or “furious”.

At the same time, many organisations are consciously seeking to achieve customer delight as a strategic objective.

Cost pressures

Cost reduction is a driver in most organisations, both in business and in the public sector. Given that staff costs are about two thirds of the total cost of most Contact Centres, the pressure for cost reduction translates into a desire for increased productivity. This leads to measuring call duration, elaborate demand forecasting and resource deployment methods, use of IVR to route calls to the most appropriate agent and the use of voice self-service. These are however some of the very things that may be most disliked by customers.

Treating demand as a given

These three challenges only seem to be incompatible because demand is treated as a given.

For example, the NAO report on government call centres³ recommended that government departments should measure cost, customer satisfaction and quality, and find ways of



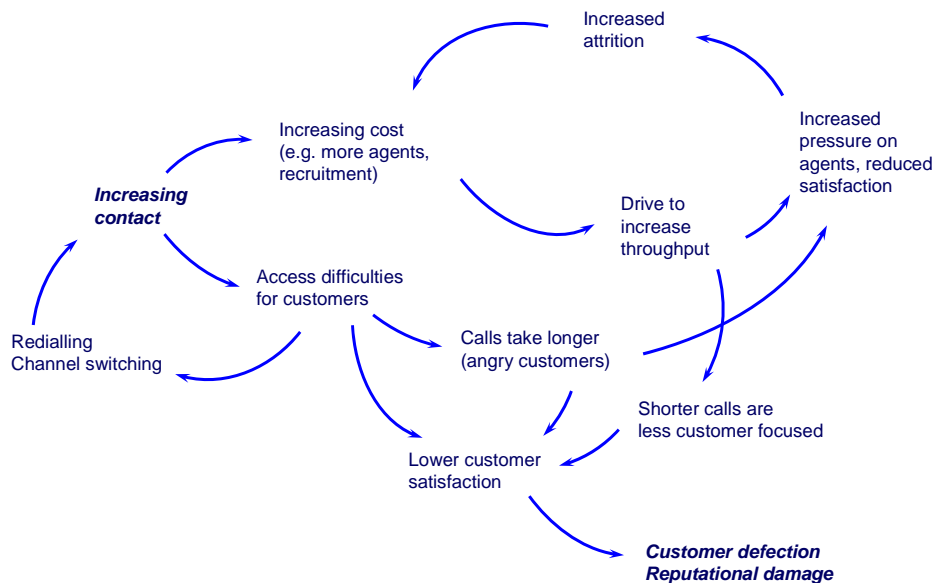
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resourcing the centres to meet the volume of calls. Similarly, the Citizen’s Advice report quoted earlier acknowledges evidence of unmet demand for Citizens Advice Bureau services, but envisages a solution in terms of “user proofing” call centre provision. Neither report considers the possibility that some – perhaps a large proportion – of the calls are actually avoidable.

Our fundamental insight is that not all customer contact is necessary and not all is valuable. Customer demand for contact does not have to be treated as a given and just responded to. Some is pure waste and the goal can be – should be – to eliminate it.

If you simply treat demand as given and simply respond by increasing capacity and trying to increase productivity the two great risks are that you actually increase costs and/or lose customers as the causal loop diagram below indicates.

Impacts of rising contact



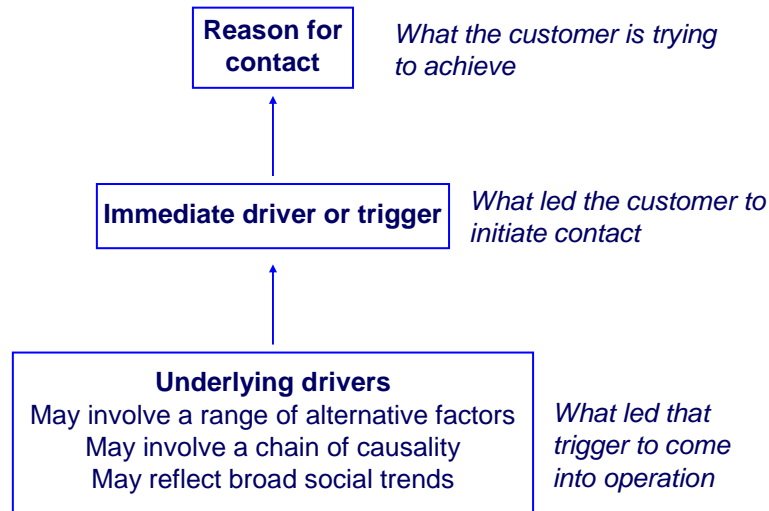
Why do customers call a Contact Centre?

The first step to eliminating waste is to consider what customers call Contact Centres in the first place. The diagram below suggests that of course they call with some purpose in mind (to place an order, seek information, make an appointment, or whatever) but that this purpose is triggered by something and the trigger itself has deeper levels of causality.



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Drivers of contact



RXP and Peter Hyde Management Consulting have jointly developed a powerful three way categorisation of triggers which can help greatly in the elimination of waste. We identify three basic types of contact which are triggered in different ways.

Intended contact results from the deliberate actions of the organisation to encourage, facilitate and sometimes require its customers to make contact.

Customer initiated contact is instigated by customers not in response to any organisational action. It arises from actual or hypothetical changes or needs in the customer’s world.

For the present purpose, the critical category is the third one: **unintended, elicited contact**. This is the result of the organisation’s *failure* to do something: to do it at all, to do it right or to do it within an expected time frame. Often the root cause does not lie in the Contact Centre – it may be product design, back office performance, unclear communications – but it is in the Contact Centre that the consequences are felt.



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Triggers of contact

Intended	New customer response to marketing
	Existing customer response to marketing
	Existing customer reply to invoice, letter etc
	Contact as part of existing relationship
	Customer contact required under certain conditions
Customer initiated	Request for reassurance, advice, guidance
	Non-sales transactions
Unintended, elicited	To correct an error or fault
	To seek clarification of something received
	To ask why something has not happened
	To chase a response to an earlier contact
	To confirm receipt of an earlier contact

What calls do we want?

The idea of triggers leads on to consideration of the calls we want and the calls we don't. Calls (and other contacts) can essentially be divided into two groups:

- Intended, desirable value calls
- Unintended, avoidable calls which consume resource but add no value.

This is essentially the argument which has been put forward for some years by John Seddon of Vanguard Consulting. In a paper in 1999⁴ he argues: "The work of a call centre should not be thought of as managing units of production - the number of calls to be taken - but as managing value to the customer - how the organization responds to customer demand. If a customer experiences exactly what he or she requires and no more, service and efficiency will be optimised. ...Value is what the organisation is there to do." He concludes "I have yet to find a call centre with less than 25% failure demand."

More recently, the notion of Sense and Respond has advocated, based on work done by Stephen Parry at Fujitsu. This has resulted in a four-category classification of demand⁵:



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Positive	
Creation	Defined by customer purpose. Deliver value effectively to customers, and efficiently to the organisation.
Opportunity	Occurs when the customer wants something which is not currently delivered. Creates the possibility of developing new value-added services.
Negative	
Restorative	Occurs when the organisation delivers unfit products or services. Production is lost and the customer is unhappy. Results in loss of time, reputation and loyalty.
External	Originates externally: waste or demand created by the failure of other organisations.

Inherent and potential value

One useful feature of this framework is that it alerts us to the idea of potential value. The diagram below develops this further.

Inherent and potential value

		Inherent value	Potential value
Intended	<i>New customer response to marketing</i>	<i>High: serves organisational objectives and responds to customer needs and purposes</i>	<i>High: opportunity for cross-selling and up-selling</i>
	<i>Existing customer response to marketing</i>		
	<i>Existing customer reply to invoice, letter etc</i>		
	<i>Contact as part of existing relationship</i>		
	<i>Customer contact required under certain conditions</i>		
Customer initiated	<i>Request for reassurance, advice, guidance</i>	<i>Responds to customer needs and purposes but limited direct benefit to organisation</i>	<i>Strengthen relationship, build brand, opportunity for cross-selling and up-selling</i>
	<i>Non-sales transactions</i>		
Unintended, elicited	<i>To correct an error or fault</i>	<i>Wastes time and resources, at best restores value for customer</i>	<i>Risks damage to brand and reputation. Little scope for cross-selling and up-selling</i>
	<i>To seek clarification of something received</i>		
	<i>To ask why something has not happened</i>		
	<i>To chase a response to an earlier contact</i>		
	<i>To confirm receipt of an earlier contact</i>		



Value for whom?

Talking about value raises the question of value for whom – the customer or the organisation. It seems easy to accept Seddon’s position that value is defined by the customer and clearly this is massively important in any organisation. However, in many organisations the value of some contacts is defined by the organisation. The most obvious example is public sector bodies, where value derives from them discharging their statutory purposes and pursuing their objectives. However, the same holds true for banking, insurance and many other sectors where contacts are required from customers which are of no inherent value to them but are needed by the organisation to discharge legal or regulatory requirements. Proving identify to satisfy anti money laundering regulations is a good example.

There is something to be gained therefore from thinking of value in terms of a two by two matrix. In particular this suggests appropriate responses for the different types of contact.

Value analysis and response

Value to customer	High	Automate	Facilitate
	Low	Eliminate	Streamline – make easy
		Low	High
		Value to organisation	

A spectrum of value

In practice however what we have found is that the High value to the organisation / Low value to the customer quadrant has to be treated as value and so in practice there is a spectrum of value: no value for either, high value for both (or at least to the organisation), and some value to the customer. Clearly a lot of this depends on what business the organisation is in. We present below two examples of a value spectrum: one for a public agency involved in collecting taxes or paying welfare benefits, the other for a retail bank.



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A spectrum of inbound contact value: Taxes and benefits

<ul style="list-style-type: none"> ■ Progress chasing ■ Confirming receipt ■ Repeated contact ■ Misdirected (to wrong part of organisation or not appropriate at all) ■ Request for rectification of error ■ Request for clarification: unclear output or letter ■ Complaints 	<ul style="list-style-type: none"> ■ Request for help filling out a form ■ Request for reassurance that a planned action is correct ■ Request for advice: how do I .. ■ Hypothetical questions: what would be the implications if... ■ Queries about entitlement or liability: am I eligible, do I have to pay ... ■ Request for confirmation that customer is paying the right rate / receiving the right benefit 	<ul style="list-style-type: none"> ■ Submitting an application or renewal ■ Making a return ■ Making an appointment ■ Notifying changes of circumstances ■ Obtaining forms needed to do these things ■ Making payments ■ Claiming repayments ■ Responding to a request for information
<p>Offers no positive value for organisation – and may cause harm if it leads to customer dissatisfaction or negative perceptions. Nothing positive for the customer: the best that can be achieved is the removal of an annoyance or concern.</p>	<p>Value to organisation in improved compliance and increased accuracy of data provided. But value may be limited to improved customer perception and contribution to brand value. Always some value for the customer: removes anxiety and concern and provides useful information.</p>	<p>From organisation's point of view whatever transactions are part of delivering its business. From customer's, whatever meets customer needs.</p>
<i>None</i>	<i>Some Value</i>	<i>High</i>

A spectrum of inbound contact value: Banking

<ul style="list-style-type: none"> ■ Progress chasing ■ Confirming receipt ■ Repeated contact ■ Misdirected (to wrong part of organisation or not appropriate at all) ■ Request for rectification of error ■ Request for clarification: unclear output or letter ■ Resolving self service failure ■ Complaints 	<ul style="list-style-type: none"> ■ Checking a balance or whether a payment has been made ■ Paying bills ■ Request for cheque book ■ Setting up direct debit, standard order ■ Hypothetical questions: what would be the implications if... 	<ul style="list-style-type: none"> ■ Loan or other product enquiry or application ■ Order for foreign currency ■ Notifying changes of circumstances ■ Reporting loss or theft ■ Responding to a request for information ■ Providing proof of identity ■ Making an appointment for a financial review
<p>Offers no positive value for organisation – and may cause harm if it leads to customer dissatisfaction or negative perceptions. Nothing positive for the customer: the best that can be achieved is the removal of an annoyance or concern.</p>	<p>High value to the customer in that it enables account operation, or financial transactions. Limited value to bank, other than avoiding customer dissatisfaction if there are problems.</p>	<p>From bank's point of view whatever transactions are part of delivering its business objectives. From customer's, whatever meets customer needs – or is required by the bank.</p>
<i>None</i>	<i>Some Value</i>	<i>High</i>



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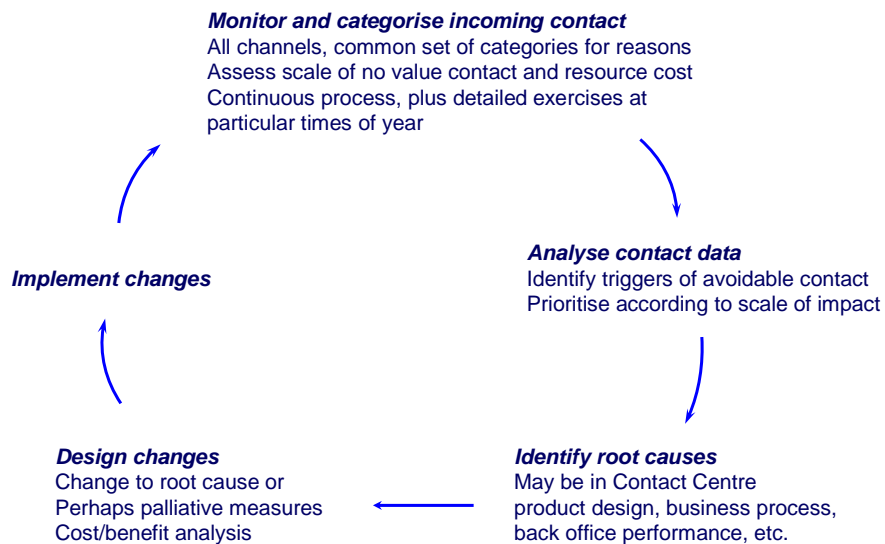
The ideas advanced in this paper have their roots in the Lean approach to manufacturing. The origin of course was the Toyota Production System described by Taiichi Ohno⁶ which was then popularised in “The machine that changed the world”⁷. Since then there has been an explosion of literature extending the lean approach to office and service work and linking it with improvement methods such as Six Sigma. There is some controversy however about how far the lean model can be extended and writers such as John Seddon point to distinctively different features of much service work: the inability to stockpile work and the involvement of the customer in “production”.

Our finding is that the management of waste is the most critical part of Lean thinking and the one which is most relevant to contact centres today. Those operations who manage to reduce or eliminate those contacts that offer little or no value – are in effect “Lean Contact Centres” who take control of their contact demand.

How to analyse demand and eliminate waste

Our proven joint approach to analysing demand is shown in the diagram below.

Minimising waste



There are two methods by which you can understand your contact management better. You can ask your operational management team to measure these activities themselves or you can bring in consultants to help. We can support you in either scenario.



RXP produce a 'Guide to effective Contact Management' that is available from www.rxp.co.uk This guide will take you through the process of analysing in depth what contacts are happening, and how this impacts your efficiency and effectiveness. With this knowledge, you will be able to begin defining how you want your organisation to handle the contacts and what you need to put in place to do so. The alternative is to bring in consultants – more on how RXP and Peter Hyde Management Consulting help you with this later.

However you decide to start managing your contact better, it always needs to be preceded by a set-up phase in which the ideas and purpose are explained and Advisors and management are engaged in the process. And this should be followed by a design phase in which the mechanics of the change management process are worked out. There is also a lot to be said for an initial diagnostic process to assess the scope for improvement as a prelude to any systematic activity.

Implications for the Contact Centre

What we have found from our experience is that this sort of approach starts to change the role of the Contact Centre from a cost centre to a critical source of organisational intelligence and learning. In effect the Contact Centre becomes a pivotal resource for the organisation as a whole.

The calls received provide an indication of:

- The quality of fundamental process design – well designed processes will simplify and streamline the amount of contact. Included in this is the design and presentation of outputs such as notices and statements, which often generate unnecessary calls for clarification and explanation.
- How well the processes are actually being operated – calls triggered by delays and errors are the most obvious examples.
- Unmet customer expectations – e.g. for speed of service or for information.
- The effectiveness for organisational communications and marketing – e.g. the success of marketing campaigns, brand awareness, signposting of access routes.
- Social and demographic changes – reflected in the nature, timing, channel, purpose of contact.

In turn it raises questions about who in the organisation is responsible for acting on the data and implementing change.



It is probable that this sort of approach will have implications for:

- Targets and performance indicators (usually, for example, a move away from call duration as a measure of performance is necessary).
- Forecasting and resourcing.
- Advisor, Team Leader and management roles.
- Training.

Case studies – how improving Contact Management leads towards elimination of waste

In one case where the purpose of the contact centre was to make sales, when we undertook a random sample of over 500 calls, we found that only 2/3rds of the calls were potential revenue generators. The rest were service or general calls to the organisation. Furthermore the sales call centre was so busy that they had a call abandonment rate of around 10%. This meant that many of the potential revenue calls were not getting through. From a Contact Management perspective, their centre was not actually doing what it should have been and was therefore ineffective for the organisation. We then helped them to understand why 1/3rd of callers to the sales centre were not buyers. As a result, the media promotion of the contact telephone number and call routing were changed which then reduced the number of unwanted calls to less than 15%. With the same staffing levels, this enabled the centre to significantly reduce the number of callers abandoning before being answered.

In a second example the service centre used an IVR touch tone routing selection where we found that almost 50% of callers had to be rerouted by an Agent to another department after the call was answered. This was due to the IVR menu choices not being clear enough to help customers. The Contact Management effect was a double handling of calls. We then helped the centre to improve the IVR routing by carrying out user testing of several alternative options to find a form of words that was most understandable to the majority of their customers. Previously just the call centre team had defined the IVR choices. However, their customer base was not familiar with call centre menus and how they work. So it is good to have someone with no understanding test it out so the least experienced customer can use it.



How we can help

RXP and Peter Hyde Management Consulting have developed a joint approach to eliminating waste from your Contact Centre. Our concept of the Lean Contact Centre is one where you:

- Know what's happening to overall levels of contact.
- Are clear what contact has value to you and to your customers – and what doesn't.
- Are able to measure the extent of no value contact and understand what triggers it and what the root causes are.
- Develop a strategy for addressing the root causes.
- Monitor progress and identify new sources of no value contact as they arise.

When you apply the concept of the Lean Contact Centre the outcome is an operation which takes control of its contact demand. The approaches that we use to achieve this include:

- understanding the consequences of un-managed demand - in terms of the impact on resourcing, Service Levels and customer perception;
- defining the 'value' of each type of contact;
- specifying the requirement for a measurement system of different contact types;
- understanding options to reduce or eliminate non-value adding contact types.

To get you started, we can offer a one day onsite diagnostic to assess the scale of the opportunity. For a limited period we will waive our fees for this initial assessment – we are so confident that we can help you define a significant project to develop your operation into a waste-free Contact Centre.

So give us a call today on either 0870 351 3868 or 0118 988 8736 to find out how you can take control of your customer demand - maintaining Customer Service without increasing your costs!



References

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- ⁶ Taiichi Ohno – Toyota production system, Productivity Press, 1988.
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