

The Savings of Web-Based Self-Service
Delighting Your Customers While Reducing Support Costs

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Executive Summary

Even in the best of financial times, obtaining a return on investment (ROI) on a customer relations management (CRM) initiative frequently falls short of expectations. Lengthy implementations, high professional service and consulting fees, and cumbersome integrations contribute to many unsuccessful CRM initiatives never proving their ROI. Evolutionary in application, leading eService solutions are dedicated to exceeding customer expectations for access to meaningful, accurate data and easy-to-navigate Web sites, while reducing costs. And this multiplier effect - exceeding customer expectations while reducing costs - makes the ROI of eService applications impressive. Loyalty and satisfaction depend more than ever on the quality of experience associated with goods and services. And a little loyalty goes a long way, considering that even a five percent customer retention rate may increase profits by 25 to 95 percent. (Reicheld and Schefter, Harvard Business Review, July - August 2000). Customers most assuredly notice if a company is providing:

- **24/7 Customer Service:** No matter where the customer is logging on from or what time of day it is, they can conduct their business or make inquiries on their terms.
- **Immediate Satisfaction:** Time is more important than ever to customers, yet, according to a study by Jupiter Communications, a leading eCommerce analysis firm, 42 percent of top Internet companies took longer than five days to reply to email requests or never replied at all. Customers are reluctant to try again if they are disappointed by slow response.
- **Clear Escalation Paths:** Although 70 to 90 percent of inquiries can be accommodated via an accessible knowledgebase, some questions require special attention. Unique issues are rapidly and efficiently addressed through email or live chat.
- **Accurate, Up-to-the-Minute Information:** Precise information is often dynamic and must be continually updated. Leading CRM packages include knowledgebase applications that are self-contained and self-learning. Customers shape the knowledgebase by determining what is most relevant to them. The most useful, timely information becomes the most easily accessible.

Customer Service: At What Cost?

According to IDC Worldwide, companies are expected to spend an estimated \$90 billion on CRM initiatives in 2003, more than twice as much as was spent in 1999. Analysts see this astonishing growth as a clear indication that businesses are eager to be proactive about customer retention and relationship management.

"The bad news is that today's demanding business and consumer customers can shoot your company down faster than ever before," says Patricia Seybold in her new book, *The Customer Service Revolution*.

The good news is that software tools are available to help firms compete aggressively for the hearts and minds of customers. But the solution must install quickly, pay for itself in a short amount of time, and show tangible bottom-line results.

Understandably, business leaders are wary of eBusiness technologies claiming to improve the bottom line. Costly mistakes are frequently made when choosing eBusiness software. Even when a product looks valuable, long implementation times, arduous professional service expenses and poorly constructed systems may consume any potential returns.

From a Tight Spot to a Sweet Spot

The invitation to seek help from a customer service representative dramatically increases call center and email loads, which in turn threatens the quality of service -- customer inquiries can jump by as much as 300% after a company takes its business online. Even traditional offline businesses find that customers expect to find help 24 hours a day, preferably online.

Customer relationship management can be approached through a variety of traditional channels including telephone calls, emails website interaction. While complete, multichannel, integrated, robust solutions are critical, considering the cost of each method, purchasers of CRM packages are finding that applications which include leading Web-based self-service are the ROI "sweet spot" in the CRM market space.

Considering that, according to Forrester Research, providing service via the telephone costs \$33 per incident and answering email costs \$10, web self-service is a bargain at \$1/incident. The following table shows Forrester's industry estimates for several different channels.

CRM Channel	Average Cost per Transaction
Telephone	\$32.74
Knowledge base self-service	\$1.17
E-mail	\$9.99
Message board	\$4.57
Chat	\$7.80

Because customers typically have the same questions, the Web can draw from a central repository of information - called a knowledge base - to provide immediate solutions. Thousands of inquiries can be answered at the same time using a knowledge base.

The most effective knowledge bases are "self-learning" and "self-maintaining". They use customer interactions to automatically create the knowledge base. This means information truly relevant to a customer ends up in the knowledge base.

According to the Patricia Seybold Group, - a worldwide strategic business and technology consulting and research firm "the ability to find, research and buy what they want, when they (customers) want, the way they want is one of the primary reasons they choose to do business online. They want to be able to help themselves to information, find solutions to problems, and navigate through the decision and purchase process easily, at their own pace, and without distraction."

Self-Service Index Documents Results

Doculabs, an independent analyst firm based in Chicago, recently issued a report showing that companies are saving millions of dollars every quarter using Web-based self-service solutions.

The Doculabs Self-service Index, which published results from more than 3 million service requests in the first quarter of 2001, showed that 86.9 percent of customer inquiries were handled through automated self-service without the need for escalation to more expensive telephone calls or emails.

This data, from more than 200 companies across 22 industries showed a Web-based self-service solution allowed these companies to realize cumulative first quarter savings of more than \$100 million.

The following is a sample from the Doculabs Self-Service Index for the first quarter of 2001:

Industry	Customer Visits	Escalation	Self-Service Index
Manufacturing	22,784	489	97.85%
Education	8,400	317	96.23%
Financial Services	40,574	1,972	95.14%
Computer Software	449,402	27,412	93.90%
Consumer Products	1,044,199	162,219	84.46%
Telecommunications	809,320	202,158	70.02%

Customer self-service is the primary opportunity in electronic commerce, according to the Patricia Seybold Group. Growth and success will be measured by how well corporations can respond to change and exploit new opportunities to attract and retain customers.

Get More R for Your I

Projecting an ROI for CRM software is complicated. The factors to consider when calculating ROI go far beyond just the price tag. Crucial factors also include:

Email and phone call reduction: Email and phone calls are expensive. The more customer service interactions that can take place on the web, the more money can be saved.

For example, Ping, a leading manufacturer of golf equipment, implemented a Web-based self-service solution to better manage consumer email. Prior to installation, customer support representatives were personally responding to 1,500 to 4,000 emails per month. Many of the inquiries dealt with the same questions, which meant human and financial resources were not being used very cost effectively. With customers able to find just the right answer 24/7 through self-service, inbound email dropped by about 50 percent. With traditional email management costing about \$10 per incident and self-service only about \$1, PING immediately realized a return on their CRM investment.

Professional Services: Frequently, professional services needed to set a CRM system can be 50 percent of the price of the software. RightNow Technologies, for example, was recently compared with competitors in a first quarter audit. Only 9.9 percent of RNT's revenue was made on services after product installation. Oracle's service revenue was 57 percent, followed by Siebel at 43 percent, e.Piphany at 40.9 percent and Kana at 50.9 percent.

Obviously, the more integrated the software, the more easily it can be implemented. Be wary of CRM vendors who have purchased other

technologies to combine with their own. The combinations are rarely seamless.

- **Installation:** Time is truly money. The longer it takes to set up a web customer service solution, the more money is wasted. Ask the CRM vendors you're considering how long it takes to install their software.
- **Scalability:** Will the solution meet your needs six months from now? Two years from now? Reinvesting in new products is expensive. Choosing one that can grow with your business is much smarter.
- **Training:** Consider whether new employees will be able to use the CRM system immediately or if there is a steep learning curve. Using a well-designed knowledge base also cuts ongoing training costs since answers to the most common customer questions are very easily accessible.
- **Efficiency:** If employees are not answering redundant questions, they have time to solve more complex problems. Consider how much more efficiently a support operation could run if only new questions needed to be addressed.

Conclusion

The imperative of customer retention and loyalty, in tandem with an increased emphasis on cost reductions and the bottom line in the current economic environment, puts rapid ROI into sharp focus. Although there are a number of technologies that can be deployed when creating a CRM system, the one that can produce the greatest cost saving is Web self-service.

Advanced Web-based self-service solutions can be deployed in just a few days, are self-contained and easy to use, and are scalable to meet increasing demand. For many companies, the return on investment is realized in a matter of weeks or months as customers rely more on extracting information from self-service applications rather than making email or telephone contact with a CSR.

Internet visitors who can easily find their own answers immediately online are the happiest. This translates into lower support loads and improved customer loyalty. With the cost savings of self-service, even small shifts can translate into higher profitability.

About the Author

Susan is a 15-year veteran of corporate financial management. She joined RightNow in 1999 following 4-1/2 years at Powerhouse Technologies, a \$200 million publicly traded diversified gaming technology company. At Powerhouse, Susan held various positions in finance and audit, advancing to chief financial officer in 1997. She was a key player in the organization's financial turnaround, culminating in the 1999 sale of the company. Susan's earlier experience includes 3 years in financial positions with Martin Marietta Astronautics Group and 6 years with Ernst & Young.

About RightNow Technologies

RightNow Technologies is a leading global provider of proven eService solutions that deliver rapid time-to-benefit and quick ROI. RightNow was named the second fastest-growing independent software company in the U.S. by Softletter, an industry newsletter. RightNow's comprehensive solutions include Web-based self-service, email response management, live chat and collaboration, and service analytics. These solutions feature an integrated product architecture, highly intuitive interfaces, and centralized workflow management – all based on a proprietary customer-driven, self-learning knowledge base.

RightNow customers include Air Canada, Ben & Jerry's, Black & Decker, British Airways, Fijitsu, Motorola, Nortel, Sanyo, Social Security Administration, Sprint, and more than 1,100 other organizations in a wide range of vertical markets.

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

To learn more, visit www.rightnow.com or call 877-363-5678 or 406-522-4200.

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