

How companies use customer insight in inbound service call centres to drive cross-selling, up-selling and retention: an exploratory multiple case study

Christine Bailey and Professor Moira Clark

18th September, 2007



This report is produced by The Henley Centre for Customer Management on behalf of its' members.

The date on the cover page of this report is the official release date. For the first six months after release, the report remains confidential. During this first period there is no restriction on copying within the research project team and member organisations, provided that the statement of copyright and identification of source is retained on all subsequent copies and no copies are released to non-participating organisations.

After the six months period of confidentiality, normal copyright practice will be expected of all users of the research results. All published results will carry a copyright notice and an identification of the source, with a request to retain that information on all subsequent copies.

Table of Contents

1. Executive summary	1
1.1. Findings	2
1.2. Practical implications	4
2. Introduction	6
2.1. Background	6
2.2. Importance of the topic	7
2.3. Specific purpose of the project	9
2.4. Definition of terms	9
3. Literature Review	11
3.1. Cross-selling and up-selling	11
3.2. Technology and services	12
3.3. Market factors relating to sales and service initiatives	15
3.4. Issues associated with 'sales and service' initiatives	16
3.5. Agents in a combined sales and service role	17
3.6. Measuring sales and service performance	19
4. Research strategy	20
4.1. Selection process	20
4.2. Interview schedule	21
4.3. Analysis	23
5. Case descriptions	23
5.1. Barclays	24
5.2. Healthcare company	29
5.3. O2	33
5.4. RIAS	40
5.5. The AA	46
5.6. Utility company	53
6. Synthesis and discussion	60
6.1. Technology and services	60
6.2. Market factors	62
6.3. Issues	63
6.4. Agents in a combined sales and service role	64
6.5. Measuring sales and service performance	65

7. Summary and implications	68
7.1. Summary	68
7.2. Implications for practitioners	68
8. Bibliography	70

Table of Figures

Figure 1: A framework for actioning customer insight.....	6
Figure 2: The conceptual model of the drivers of cross-buying intentions (Ngobo, 2004)	12
Figure 3: The Services Marketing Pyramid (Parasuraman, 1996)	13
Figure 4: Technology Infusion Matrix (Bitner et al., 2000)	13
Figure 5: A framework for a best practice IT-based cross-selling system (Jarrar & Neely, 2002)	14
Figure 6: Market factors relating to customer contact management implementation (Spencer-Matthews & Lawley, 2006).....	16
Figure 7: O2's Value Development high level strategy	35

Table of Tables

Table 1: Summary of technology use in inbound service encounters	2
Table 2: Market factors driving sales and service initiatives	2
Table 3: Generic issues associated with a sales and service initiative	3
Table 4: Qualities of agents successful in a combined sales and service role	3
Table 5: Measures of sales and service performance	4
Table 6: Interview schedule.....	22
Table 7: Summary of Barclays' metrics and results	28
Table 8: Summary of O2's sales through service measures.....	40
Table 9: Summary of metrics and results at RIAS	46
Table 10: Metrics and results for up-selling at the AA.....	51
Table 11: Metrics and results for cross-selling at the AA	51
Table 12: Metrics and results for data capture at the AA	52
Table 13: Metrics and results for customer retention at the AA	52

Table 14: Results at XX call centre 20th March 2007	59
Table 15: Summary of sales and service approaches across cases.....	60
Table 16: Summary of technology use in inbound service encounters	61
Table 17: Market factors driving sales and service initiatives	63
Table 18: Generic issues associated with a sales and service initiative	63
Table 19: Qualities of agents successful in a combined sales and service role	65
Table 20: Measures of sales and service performance	66

1. Executive summary

Companies handle millions of service encounters with customers every day and it has been recognized that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products) and customer retention. Cross-selling is attractive to firms because it usually costs less than acquiring new customers and the risk to the firm is lower as they already know whom they are dealing with. The more products and services a customer holds with a firm, the more likely they are to develop a relationship, the longer they are likely to stay with the firm, the less likely they are to consider switching to another provider and the better their profitable lifetime duration.

This link between sales and service was first proposed nearly two decades ago, but at the time it was only possible through intensive customer-employee interaction. Since then the widespread adoption of Customer Relationship Management (CRM) technologies has played a critical role in the service-profit chain and in the ability of firms to customise their service offerings. With advances in the generation of customer insight, technology is now enabling contact employees to handle service situations with a complexity that could never be managed manually and 'real-time' inbound marketing strategies are now being deployed in customer service centres.

This research project builds on the September 2006 Henley report "how companies use customer insight to drive customer acquisition, retention and development" by concentrating on one aspect of the customer insight framework, namely how customer insight is actioned through the customer service function.

The purpose of this project therefore was to investigate how companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. More specifically:

RQ1: What factors are driving companies to invest in inbound sales and service initiatives?

RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?

RQ3: What issues are associated with sales and service initiatives?

RQ4: What are the qualities of a successful sales and service agent?

RQ5: What metrics are companies using to measure the success of their sales and service initiatives?

Using the qualitative method of case research, 27 people and 16 call centre agents from six large UK-based companies (Barclays, a healthcare company, O2, RIAS, the AA and a utility company) were interviewed and/or observed.

1.1. Findings

The study provided evidence of a variety of approaches to up-selling, cross-selling and retention in inbound service call centres. The data was collated to generate tables in the following areas:

- Summary of technology use in inbound service encounters
- Market factors driving sales and service initiatives
- Generic issues associated with a sales and service initiative
- Qualities of agents successful in a combined sales and service role
- Measures of sales and service performance

Category	Barclays	Healthcare	O2	RIAS	The AA	Utility
Insight generated using propensity models	yes	no	yes	no	no	no
Insight calculated in real-time	no	no	yes	no	no	no
Insight delivered to agents' screens today	yes	no	yes	no	yes	yes
Agents more reliant on intuition/experience	50-50	yes	no	yes	yes	50-50
Plans to deliver insight to agents' screens	n/a	yes	n/a	yes	n/a	n/a
Agent access to real-time monitoring	yes	no	yes	no	yes	yes

Table 1: Summary of technology use in inbound service encounters

	Barclays	Healthcare	O2	RIAS	The AA	Utility
Service requirements						
Competitor activity	X	X	X	X		X
Non-price competition	X	X	X	X		X
Consumer demands	X	X	X	X		X
Regulation (marketing outbound)	X		X	X	X	
Organisational requirements						
Efficiency (maximise inbound opp)	X		X	X	X	
Knowledge (continually gather info/knowledge)	X				X	X
Duty of care (provide relevant offers)	X		X			
Customer development	X		X	X	X	X
Customer retention	X	X	X		X	X
Increase customer satisfaction/experience			X			X
Strengthen customer relationships	X		X	X	X	
Empower employees (service profit chain)	X		X			
Build customer loyalty		X	X	X		

Table 2: Market factors driving sales and service initiatives

Generic issue	Barclays	Healthcare	O2	RIAS	The AA	Utility
Capacity plans/operations		√	√	√		√
Customer relationships	√	√	√	√	√	√
Staff compensation			√			
Staff training (will & skill)	√	√	√	√	√	√
Product redesign		√		√		
IT investment & integration	√	√	√	√	√	√
Customer profitability analysis/customer insight		√		√	√	√
Regulation						√

Table 3: Generic issues associated with a sales and service initiative

Quality	Barclays	Healthcare	O2	RIAS	The AA	Utility
Competence (will & skill)	√		√	√	√	
Self confidence			√	√	√	√
Concern for customer/doing right thing	√	√	√	√		√
Confidence in products		√	√		√	
Confidence in data & processes	√		√			√
Confidence that issues will be heard & resolved					√	√
Exhibit empathy & understanding	√		√	√		
Feeling of control/empowerment		√	√	√		√
Awareness of business & strategic context			√		√	√
Regular feedback on performance	√		√			√
Ability to achieve balanced scorecard	√			√	√	√
Adaptability			√			√
Affinity with customers/similar profile	√			√		

Table 4: Qualities of agents successful in a combined sales and service role

Measure	Barclays	Healthcare	O2	RIAS	The AA	Utility
Measure first call resolution?	no	no	no	no	no	yes
Monetary incentives for cross-selling?	yes	no	yes	yes	yes	yes
Customer satisfaction included in balanced scorecard?	Yes	Yes	Yes	Yes	yes	Yes
Productivity (AHT/adherence to schedule) included in balanced scorecard?	Yes	Yes	Yes	Yes	yes	Yes
Sales performance included in balanced scorecard?	yes	no	end '07/'08	yes	yes	yes
Measure reference to customer insight?	yes	no	yes	no	no	no
Measure # of customers saved?	no	yes	yes	yes	yes	yes
Measure average cost of saving customer?	no	no	yes	no	yes	no
Measure # of offers made & accepted?	yes	no	yes	yes	yes	no
Measure # of offers made & not accepted?	yes	no	yes	no	yes	no
Measure # of conversions (sales or hand-offs)?	yes	partially	yes	yes	yes	yes
Measure overall impact on revenue?	yes - n/a	no	yes	yes - n/a	yes	no
Measure average revenue per call?	no	no	no	yes	yes	partially
Measure contribution to overall or individual profitability?	no	no	yes	no	yes	no
Data collection	yes	no	no	no	yes	yes
Average up-sell/cross-sell ratio?	1 in 10	n/a	1 in 9	1 in 12	1 in 50 1 in 20	1 in 33 1 in 8
Up-sales/cross-sales per 100 calls	10	n/a	11	8.5	2 5	3 12

Table 5: Measures of sales and service performance

1.2. Practical implications

There is more than one approach to sales and service initiatives. Some firms choose to train sales agents to deal with service enquiries, some train service agents to close additional sales and some firms train service agents to spot opportunities and pass them over to a sales team. As yet, no one approach has been proven to be the most successful.

Despite the evidence of previous academic research, it appears that there is not always a trade-off between up-selling/cross-selling in a service environment and average handling time. The firms in this study reported a bell curve effect, where AHT increased initially, but levelled out or even dropped once the agents were comfortable with new technology and processes. This was because the customer insight enabled the agents to have a more relevant, productive dialogue.

Excellent customer service is a pre-requisite for any successful sales and service initiative. Agents must first deal competently with the service enquiry before they earn the right to explore customer needs with a view to cross-selling/up-selling.

Increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) are contributing to growing support for firms to use the inbound service channel for differentiation and competitive advantage. According to Gartner Group (2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing.

How companies use customer insight in inbound service call centres to drive cross-selling, up-selling and retention



The growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important. Typically, front-line service staff is often reluctant to engage in activities or conversations that constitute “selling”. Therefore it is important for agents to understand the business and strategic context of why they are being asked to cross-sell and up-sell. One of the most important qualities of a successful sales and service agents was having a genuine concern for customers and a sense of ‘doing the right thing’.

2. Introduction

2.1. Background

The September 2006 Henley report “how companies use customer insight to drive customer acquisition, retention and development: an exploratory multiple case study” used an exploratory, multiple case study approach to investigate how companies use customer insight to drive customer acquisition, retention and development. The following framework for actioning customer insight was proposed:

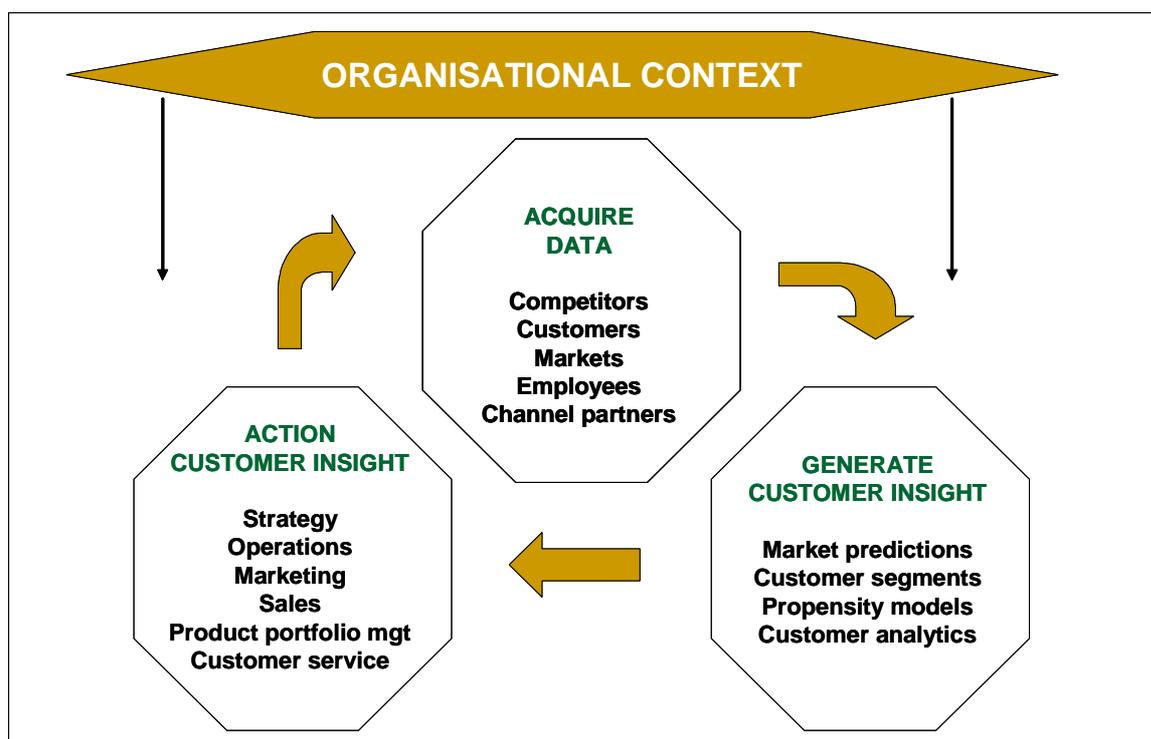


Figure 1: A framework for actioning customer insight

The report found that the two most advanced companies in the study (Barclays and O2) were using propensity models to generate individual customer insight. This was being actioned across several areas of the organisation. One area of particular interest was inbound customer service call centres, where insight was being used to drive customer development (cross-selling and up-selling) and retention. The practitioner term for combining service and sales at the point of customer-initiated contact is ‘inbound marketing’.

The report identified that increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) is contributing to a growing trend towards inbound marketing. According to Gartner Group (2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing. According to Doyle (2005), response rates are commonly in the 20-30 percent range.

Both Barclays and O2 were found to be exceeding this. At the time of research (March 2006), since Barclays had delivered customer insight into the hands of call centre agents, the sales ratio had increased from one sale per 14 inbound calls to one sale per 11 inbound calls. O2 had equally compelling results from delivering individualised customer insight into the hands of inbound call centre agents:

- Agents were actively going into the 'Vision' system to look for potential offers for 73% of all inbound enquiries
- Offers actually made to 38% of these inbound callers
- Offers accepted in 41% of cases
- Bill value increased on average by 15% in the first month after the experience from those who accepted.
- Retention costs reduced by: £150K-£200k per month
- Churn reduced by 3%

2.2. Importance of the topic

In mature, competitive markets, virtually all firms compete on the basis of customer service and service offerings (Heskett et al.1994; Oliver et al.,1998; Bitner et al., 2000). Successful service managers tend to invest in their people through training and recruiting practices, providing technology to support front-line staff and linking compensation to performance.

This thinking is consistent with the principles of the service-profit chain (Heskett et al., 1994), which links profit and growth to customer loyalty. The principles of the chain are that if you empower employees they will be satisfied, loyal and productive; and they will deliver excellent customer service. This excellent customer service leads to more satisfied customers, who tend to be more loyal. Loyal customers stimulate growth and profitability.

Companies handle millions of service encounters with customers every day and previous research (Schneider & Bowen, 1999; Bitner et al., 2000) has demonstrated that encounters can affect critical outcomes such as customer satisfaction, intention to repurchase, word-of-mouth communications, relationship quality and loyalty. Poor service encounters can be costly in terms of having to perform the service again, compensating customers for poor performance, losing customers and receiving negative word of mouth. Hence the top priority of agents in inbound service call centres is to provide consistent, high-quality customer service.

However, a growing number of authors (Chase & Hayes, 1991; Kelley, 1993; Evans et al.,1999; Spencer-Matthews & Lawley, 2006) have gone a step further to suggest that service encounters have more strategic potential. They propose that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products) and customer retention. Investing the time to investigate customer needs may in fact improve both service and sales performance (Beatty et al., 1996).

This link between sales and service was first proposed nearly two decades ago, with Zeithaml et al (1988) demonstrating that offers made during service encounters (if underpinned by the delivery of good customer service), can help companies attract new customers and develop existing ones. Whilst academics (Evans et al., 1999) acknowledge

that combining sales and service roles extends services operations into the marketing domain, practitioners are now actively referring to this concept as 'inbound marketing'.

It has been argued that the growing trend towards such inbound marketing is caused by increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound). According to recent research from Eichfeld et al(2006), inbound call centers generate up to 25 percent of total new revenues for some credit card companies and up to 60 percent for some telcos.

Since Reicheld and Sasser's (1990) seminal piece on the cost of acquiring customers relative to the cost of retaining them, marketers have focused their efforts on keeping customers. This is particularly difficult in mature markets where customers can easily switch to other competitors. This phenomenon has been referred to as "churn" (Ansell et al., 2007, p. 67), a "revolving door of acquired and lost customers" (Kamakura et al., 2003, p. 45) and "the process of customer exit" (Stewart, 1998, p.7).

More recently it has been recognised that customer retention on its own is not sufficient to sustain value and awareness has risen of the need to find other ways of strengthening the relationship with customers. One way to do this is to add value by cross-selling additional products and services to existing customers (Verhoef et al., 2001).

Cross-selling is attractive to firms because it usually costs less than acquiring new customers (Reichheld & Sasser Jr, 1990). The acceptance rate of offers is generally higher with existing customers if they have already had a positive experience with the firm. The risk to the firm is also lower as they already know whom they are dealing with. The more products and services a customer holds with a firm, the more likely they are to develop a relationship, the longer they are likely to stay with the firm, the less likely they are to consider switching to another provider and the better their profitable lifetime duration (Beatty et al., 1996; 2003; Ansell et al., 2007) .

According to Ngobo (2004, p. 1129), "in practically every recently announced merger in the financial services sector, the most frequently stated goal is cross-selling services to existing customers." In fact, cross-selling was a major driver behind the Citicorp/Travelers Group merger back in 1998. This is not to say that this is easily achieved - according to Jarrar and Neely (2002), few financial companies have been successful at cross-selling although many have tried.

Back in 1997, Maister (1997) warned that cross-selling could not be achieved without an accurate picture of customer needs and that this was only possible through intensive customer-employee interaction. However, the widespread adoption of Customer Relationship Management (CRM) technology in the late 1990s promised an alternative method of providing an accurate picture of customer needs (Ryals & Payne, 2001). It was suggested that CRM technology could help fulfil Day and Montgomery's (1999) proposed evolution from mass markets to "molecular markets" and that future customer relationships would be based on the "ability to target individuals, engage in a dialogue with them, and personalize an offering that meets their requirements" (Day & Montgomery, 1999, p.8).

There have since been many different perspectives on CRM, variously regarding it as a process, strategy, philosophy, technological tool and capability (Zablah et al.,2004). Perhaps most relevant in the service encounter debate is the capability view, which argues that firms have to invest in resources that enable them to anticipate the customer's changing

needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers et al., 1999).

Unfortunately CRM projects largely have a reputation for having 'failed' (Stone & Woodcock, 2001; Kale & Sudhir H, 2004; Boulding et al., 2005), mostly because they focused on efficiency rather than effectiveness. Both academics and practitioners (Wills and Williams, 2004; Hirschowitz, 2001; Smith, Wilson and Clark, 2006) are now referring to 'customer insight' as a key resource required to support the promises of the capability view of CRM.

It has long been suggested that technology could play a critical role in the service-profit chain and in the ability of firms to customise their service offerings (Peppers & Rogers, 1993; Pine II, 2004). With advances in the generation of customer insight, technology is now enabling contact employees to handle service situations with a complexity that could never be managed manually (Bitner et al., 2000). Advances in technology have also fuelled a growth in the popularity of customisation strategies aimed at providing customers with individually tailored products and services (Gwinner et al., 2005) and 'real-time marketing' strategies (Oliver et al., 1998) are now being deployed in customer service centres.

It appears that service encounters present an ideal opportunity to fulfil the capability view of CRM, as long as the key resource of customer insight is available at the point where the service encounter occurs. According to Eichfeld et al (2006, p.1), "companies have failed to tap the full revenue potential of their call centres because they just don't understand the extent of the opportunity". As the Henley customer insight framework identified, the most advanced companies are starting to action customer insight in real-time during inbound service encounters to drive cross-selling, up-selling and customer retention.

2.3. Specific purpose of the project

This research aims to build on the September 2006 Henley report "how companies use customer insight to drive customer acquisition, retention and development: an exploratory multiple case study" by concentrating on one aspect of the customer insight framework, namely how customer insight is actioned through the customer service function.

The purpose of this project therefore is to investigate how companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. More specifically:

RQ1: What factors are driving companies to invest in inbound sales and service initiatives?

RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?

RQ3: What issues are associated with sales and service initiatives?

RQ4: What are the qualities of a successful sales and service agent?

RQ5: What metrics are companies using to measure the success of their sales and service initiatives?

2.4. Definition of terms

For the purposes of this research, **customer insight** is "a detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially

actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition”.

Actioning customer insight is “the use of customer insight for the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition”.

The **‘front line’** is a practitioner term for staff or computers deployed in communication and/or interaction channels through which a customer can contact a company. For example, the sales force, field service engineers, technical support, outlets, call centres, mobile commerce, web site etc.

For the purposes of this project, **Customer Relationship Management (CRM)**, is defined as “the actioning of customer insight at individual customer level in order to contribute to the acquisition, retention and development of profitable customers”.

A **service encounter** is “the moment of interaction between a customer and a firm” (Bitner et al., 2000, p. 139).

Cross-selling refers to “the customer’s practice of buying additional products and services from the existing service provider in addition to the ones s/he currently has” (Ngobo, 2004, p. 129).

3. Literature Review

One body of literature relevant to this research is the area of service encounters (one of the dominant topics within services marketing), although much of the focus of this research has been on understanding service quality and service delivery from the customer's (rather than the firm's) point of view (Fisk et al., 1993).

Other relevant areas are cross-selling/cross-buying, customer contact management, customer experience, customer loyalty, mass customization, real-time marketing, one to one marketing and a small number of articles on customer insight.

This review begins with a summary of literature on cross-selling and up-selling followed by an examination of the role of technology in services. This is followed by an exploration of the market factors driving companies to invest in sales and service initiatives and the associated issues that companies encounter when implementing their initiatives. The review then looks at the qualities that agents in a combined sales and service require to be successful. We conclude with a summary of research into how sales and service performance is measured.

3.1. Cross-selling and up-selling

Cross-selling and up-selling relate to increasing the number of products and services that a customer holds with a firm. Cross-selling is effective as a customer retention strategy, as it increases switching costs and enhances customer loyalty (Kamakura et al., 2003), provided that the existing customer has had a previously positive relationship with the firm (Reichheld & Sasser Jr, 1990). The risk to the firm is also lower as they already know whom they are dealing with.

Cross-selling can be a double-edged sword (Byers & So, 2007; Ansell et al., 2007). Not all customers are willing to engage in a relationship and to expand it by purchasing additional products and services from the same provider (Bendapudi & Berry, 1997). Over-aggressive attempts to cross-sell can upset customers and make them less responsive and weaken the relationship (Kamakura et al., 2003). Even if they do want to engage in a relationship, they may still avoid dependence on a single provider (Day, 2000). Others may inherently steer towards multi-brand loyalty, particularly in the financial services sector (Peppard, 2000).

The majority of research in this area examines cross-selling and up-selling from a customer's perspective. Repurchase intentions have been linked to service quality (Zeithaml et al., 1996), perceived value (Bolton & Drew, 1991) and customer satisfaction (Mittal & Kamakura, 2001). More specifically, Ngobo (2004, p. 1129) examined the drivers of the customers' cross-buying intentions for services and found that their intentions are "primarily associated with image conflicts about the provider's abilities to deliver high-quality services from different service activities, and the perceived convenience of cross-buying from the same provider". Verhoef et al's (2001) study found that satisfaction and payment equity (perceived fairness of the price) were also drivers of cross-buying intentions. Most of this work stops at buying intentions, however, rather than examining actual buying behaviour.

According to Jarrar and Neely (2002), there is little concrete evidence of measures or costs relating to cross-selling in financial services and most of the literature provides only

anecdotal experiences. This is primarily because the concept of IT-enabled cross-selling appears to be in its infancy and few banks are able to demonstrate success or failure yet. Although many financial institutions collect and store vast amounts of data, they often lack the techniques to analyse the data to learn from past and current behaviour and to make predictions about future needs and requirements (Kamakura et al., 2003). Many still make strategic decisions based on intuition and experience rather than customer insight (Prinzie & Van den Poel, 2006) and cross-selling rates among banks in Europe remain low (Evans, 2002).

More recently, Ngobo (2004) proposed that for a firm to be successful at cross-selling it needs to invest in sales-force training, incentives, promotional campaigns, knowledge transfer between firm departments and teamwork.

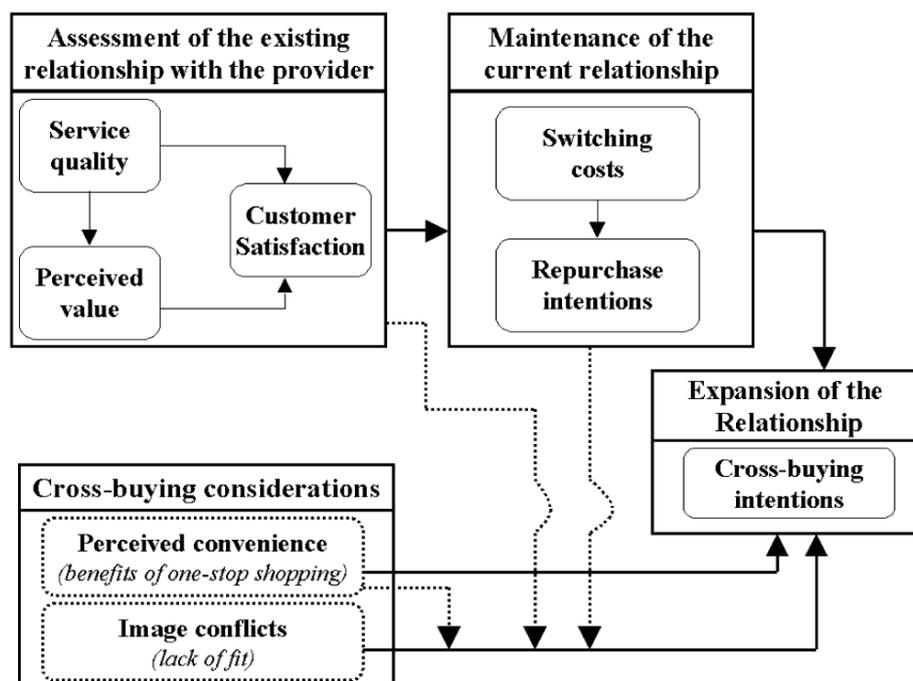


Figure 2: The conceptual model of the drivers of cross-buying intentions (Ngobo, 2004)

In summary, there is little concrete evidence of: the drivers of cross-selling/up-selling from a firm’s perspective; IT-enabled cross-selling; the measures or costs relating to cross-selling; or the issues associated with combined sales and service initiatives. As we saw in the September 2006 Henley report “how companies use customer insight to drive customer acquisition, retention and development”, cross-selling may be enabled by technology. We therefore now turn to the role of technology in services.

3.2. Technology and services

Service encounters are generally still regarded as ‘low-tech, high face-to-to-face’ contacts (Drennan & McColl-Kennedy, 2003; Jayawardhena et al.,2007), although the role of technology in service encounters has been acknowledged. As early as 1996, Parasuraman modified his Services Marketing Triangle to include technology as the fourth dimension. More recently, Froehle and Roth (2004) identified five modes of technology-mediated

customer contact (technology-free, technology-assisted, technology-facilitated, technology-mediated and technology-generated). Insight-driven service encounters relate to the fourth category – technology-mediated customer contact.

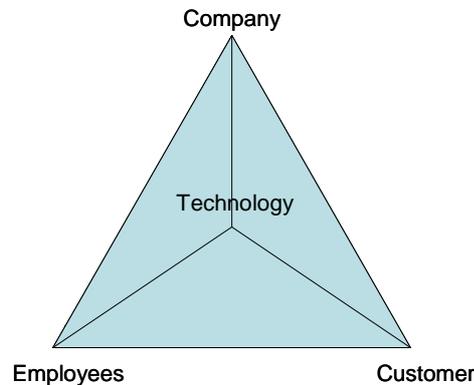


Figure 3: The Services Marketing Pyramid (Parasuraman, 1996)

Bitner et al (2000) developed a framework called the Technology Infusion Matrix to illustrate how technology can be effectively used to improve service encounters. According to the authors, technology can influence the interaction between an employee and a customer, or technology can completely replace the human service provider. In their matrix, they identified three drivers of service encounter dis/satisfaction: customization/flexibility, service recovery and spontaneous delight.

Technology Infusion Matrix			
Drivers of Service Encounter Satisfaction			
	Customization / Flexibility	Effective Service Recovery	Spontaneous Delight
Technology as Enabler for Employees	Technology can be used by <u>contact employees</u> to improve the efficiency and effectiveness of service encounters by enabling customization, improving service recovery and spontaneously delighting customers.		
	<u>Industry Examples:</u> •AT&T •Streamline •Individual Inc.	<u>Industry Examples:</u> •General Electric •USAA	<u>Industry Examples:</u> •Progressive Corp. •Ritz Carlton
Customers	Technology can be used independently by <u>customers</u> to improve the efficiency and effectiveness of their own service encounter experience by enabling customization, improving service recovery and providing spontaneous delight.		
	<u>Industry Examples:</u> •Amazon.com •Wells Fargo •Federal Express	<u>Industry Examples:</u> •Hartness Intl.	<u>Industry Examples:</u> •Cisco

Figure 4: Technology Infusion Matrix (Bitner et al., 2000)

The first driver – customization/flexibility – is most relevant to the debate about how customer insight can affect service outcomes. We already know from previous research (Bettencourt & Gwinner, 1996) that customers want flexibility and expect the service encounter to be customised. Previously it was down to the service employee to respond intuitively to customer needs and adapt the service accordingly, but increasingly many authors are recognizing the critical role that technology can play in this process (Bitner et al., 2000; Peppers et al., 1999; Pine II, 2004). Arguably, the ability to customise is one of the key benefits of using technology to improve the delivery of service encounters (Quinn, 1996).

Technologies such as powerful databases, sales-force automation tools, call center management tools, help-desk applications, product and price configuration tools can also be used during service encounters to increase sales-force closure rates and increase customer retention (Bitner et al., 2000).

The most widely tested model to explain IT usage in the IS/IT literature is Davis et al's (1989) technology acceptance model (TAM). As these and other models do not extend to addressing how the use of IT leads to increased performance, Sundaram et al (2007) tested a model for technology use on the front line in order to understand how various forms of technology usage affected multiple measures of salesperson performance. This research was limited to salespeople in one company in the United States.

Jarrar and Neely (2002) proposed that there are two different types of technologies that support cross-selling: CRM systems and customer intelligence, ideally actioned together in real-time. They suggested that predictive modelling was an important ingredient for successful cross-selling, including techniques such as using events & triggers and behavioural propensity and segmentation models. Byers and So (2007) concur that there is value in using real-time information to cross-sell in telephone service centres.

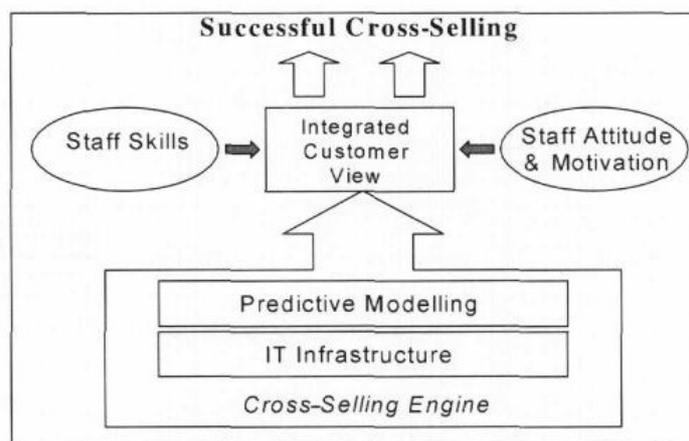


Figure 5: A framework for a best practice IT-based cross-selling system (Jarrar & Neely, 2002)

Jarrar and Neely (2002, p. 295) caution that successful cross-selling is “not a technology issue.....it’s about having a well trained and motivated sales force, who can talk to the customer supported by a real-time (or as close as possible) information system, that is centred around individual customer profitability, to help staff understand all they need about the customer”.

Eichfeld et al (2006, p. 11) also warn companies not to invest excessively in technology that delivers automated prompts to agents – as such prompts can lead to mechanical sales pitches. They observed that “agents who listen to customers and ask real questions to ascertain their needs are more likely to uncover sales opportunities than those who follow automated prompts like robots”.

Information technology is a critical component of one-to-one marketing. Three different types of technologies are required: (1) customer databases, (2) interactive media and (3) systems that support mass customization (Pitta, 1998). For successful technology-enabled service encounters, firms need both one-to-one marketing (Peppers & Rogers, 1993; Pine II et al., 1995) and mass customization (Gilmore & Pine, 1997; Pine, 1993). In other words, once firms have identified individual needs (one-to-one marketing), they need to be able to customise their products accordingly (Pitta, 1998). Critics argue that both one-to-one marketing and mass customization are “examples of technological hype which is far beyond commercial reality” (Pitta, 1998, p. 471).

Bitner et al (2000) propose that service providers should be able to adapt to customer needs in real-time (Oliver et al (1998) see real-time marketing as an extension and integration of both mass customization and relationship marketing). This can be done using “interaction management technologies”. In most cases these technologies have embedded or associated analytics that drive the offer decision-making process (Doyle, 2005).

However, Spencer-Matthews and Lawley (2006) identified numerous barriers that hinder the required access to real time information including information gaps, empowerment of customer contact personnel, resource issues, corporate culture and organisational systems and inter-functional impediments.

In conclusion, although the role of technology in service encounters has been acknowledged, most of the work is conceptual and little is known about its application in inbound service call centres. It has been proposed that two technologies support cross-selling - CRM systems and customer intelligence – ideally actioned in real-time – but there is little evidence of practice in this area and critics suggest that it is more technological hype than commercial reality.

3.3. Market factors relating to sales and service initiatives

There is a dearth of literature investigating why companies are investing in ‘sales through service’ initiatives. However, Spencer-Matthews and Lawler (2006) have investigated the market drivers for investing in customised customer contact management, which is a very similar context.

The authors identified two main categories of drivers: service requirements and organisational requirements. Service requirements included the need to keep up with or gain advantage over competitors, the need to compete on something other than price and the overwhelming demand from increasingly discerning customers for better service.

From an organisational perspective, companies need to maximize the opportunity they have to talk to their customers, they need to continually gather information and knowledge about their customers and they have a duty of care to hold accurate information and to provide relevant offers. The driving force of ‘duty of care’ stems from a fear of litigation as well as the fear of annoying customers if companies get it wrong.

Row	Cases Industry	A Healthcare	B Healthcare	C Healthcare	D Hospitality	E Hospitality	F Government	G Government	H Finance	I Finance	Totals
<i>Service requirements</i>											
A	Competitor activity		✓			✓		✓	✓		4
B	Non-price competition	✓	✓	✓	✓	✓	✓				6
C	Consumer demands		✓	✓	✓	✓	✓		✓		6
<i>Organisational requirements</i>											
D	Efficiency	✓	✓	✓		✓				✓	5
E	Knowledge			✓	✓	✓	✓				4
F	Duty of care	✓	✓	✓							3
	Totals	3	5	5	3	5	3	1	2	1	

Note: ✓ = respondent's nomination

Figure 6: Market factors relating to customer contact management implementation (Spencer-Matthews & Lawley, 2006)

3.4. Issues associated with 'sales and service' initiatives

There is a broader literature investigating the difficulties of combining sales and service roles at the point of customer contact. Authors (Schneider & Bowen, 1995; Evans et al., 1999) warn of the potentially negative effects. For example, the agent might be capable of selling, but may choose to bring a premature close to the call if concerned about average handling time. Evans et al (1999) confirmed their hypothesis that the number of customer transactions for the employee in a given time period is negatively related to the customer cross-sell ratio.

As a result of an in-depth case study at a UK bank, as well as reviewing the experiences of other cross-selling efforts, Jarrar and Neely (2002) identified the following generic issues associated with a 'sales through service' initiative:

1. Capacity plans (can the back office support sales through service?)
2. Customer relationships (will they be jeopardized by "excessive or repetitive contacts"? Will a customer be offered the same product that they have already declined on a previous occasion, possibly via a different channel?)
3. Sales force compensation and training (is it part of the corporate culture? Is there the right mix of selling skills and product knowledge?)
4. Product re-design (is the value proposition compelling and differentiated?)
5. IT investment and integration (will it support cross-selling?)
6. Customer profitability analysis (some argue that cross-selling can actually be detrimental unless closely tied to profitability)

In a study of North American banks, Eichfeld et al (2006, p. 5) found that deeply-rooted mind-sets hampered efforts to turn call centres into profit centres, as well as "arguments over who gets the credit for new sales, manager and agents who think that cross-selling will annoy service customers, and the perceived stigma of telephone sales".

The firm's organizational structure may not be supportive of a combined sales/service role (Schneider et al., 1998). Although there is plenty of agreement about the need for customised service, there has been little focus on the organisational behaviours required to successfully do this (Spencer-Matthews & Lawley, 2006). Bowen and Lawler (1995) proposed that organisations need to distribute power, customer information, knowledge and rewards in a manner consistent with employees' role expectation. Pitta (1998) suggested issues concerning lack of staff training; inaccessibility of data; dynamic nature of data accuracy; complexity and vastness of data. Yu (2001) listed organisational issues such as organisational culture, resources, structure, systems and staff. Moorman and Rust (1999) warned of many more 'unknowns' including "knowledge about content and structure of information systems; design issues to facilitate cross-functional activities; human resource skills and organisational characteristics such as structure, culture, beliefs and routines".

In their research into the implementation of customised customer contact management Spencer-Matthews and Lawley (2006) grouped issues into three categories: (1) education, (2) procedures and (3) resources relating to time, money, personnel and systems. This is concurrent with Evans et al (1999)'s discovery that organisational training and climate have to support an outstanding service experience, otherwise formerly service-only employees may easily fall back into a pattern of dealing with each customer in a quick and efficient manner.

Spencer-Matthews and Lawley (2006) join other authors (Bettencourt & Gwinner, 1996) in agreeing that customer service personnel need access to information in real-time. However, they acknowledge that there are numerous organisational barriers identified in the literature that prevent access to real-time information including empowerment of customer contact personnel, resource issues, corporate culture and organisational systems, and inter-functional impediments.

Finally, the organisation design, management and marketing literature provides wide-reaching evidence that a centralized organisational structure is not conducive to a boundary-spanning context.

3.5. Agents in a combined sales and service role

This is a shortage of literature examining the characteristics or competencies of agents who are successful in a combined sales and service role. Eichfeld et al (2006) have conducted one of the few empirical studies investigating agents in North American banks and concluded that agents have to display competence, confidence and a genuine concern for the customer. Firstly, call centre agents must 'earn the right' to sell by adequately and competently dealing with the customer's service request. The authors advise that call centres should not attempt cross-selling and up-selling until they have a strong service foundation and competent agents.

Secondly, Eichfeld et al (2006) observed that agents needed to display confidence. Pontes and Kelly (2000) agree that agents should be able to speak confidently and fluently e.g. avoid vocalised pauses such as um, ah etc. Agents should also genuinely believe that exploring the needs of customers and offering tailored products and services to them are aspects of providing great service. They have to be confident that they are 'doing the right thing' for the customer and not worry that attempts to cross-sell will just annoy them (Eichfeld et al., 2006). According to Beaujean et al (2006, p.65), "exemplary advisers

consider themselves to be guardians of the customer's well-being and therefore have full confidence in what they sell and in their ability to communicate". Conversely, if agents believe that they're intruding on the customer's privacy or they lack belief in the company's products and services, or they fear rejection, they are unlikely to succeed.

Thirdly, Eichfeld et al (2006) join several authors (Beatty et al., 1996; Schneider & Bowen, 1999; Pontes & Kelly, 2000) in stressing the importance of customer contact employees being able to exhibit empathy and understanding in relation to the customer. If an agent is unable to show empathy, it is unlikely that customers will feel inclined to talk about their needs, let alone purchase additional products and services (Eichfeld et al., 2006). Some authors go a step further to suggest that agents in a combined sales and service role need to be able to view the service experience through the eyes of the customer in order to be able to identify and meet their needs (Beatty et al., 1996; Bitner, et al., 1994). The more accurate the agents' perception of the customers' service experience, the higher the cross-sell ratio (Beatty et al., 1996; Maister, 1997). Kennedy et al (2002) propose that employees who truly believe that understanding customer needs and acting to satisfy customers are central components of their job perform better than those who do not hold these beliefs. This is concurrent with the theory of the service-profit chain, which established that a "primary source of job satisfaction was the service workers' perceptions of their ability to meet customer needs" (Heskett et al., 1994, p. 169).

The qualities of confidence, competence and genuine concern for the customer (Eichfeld et al., 2006) are consistent with Hartline and Ferrell's (1996) research into the qualities of customer contact employees. They empirically qualified a link between employee self-efficacy (an employee's belief in his or her ability to perform a job-related task) and job satisfaction. They argued that feelings of competence and confidence increase job satisfaction, as well as employees' willingness to adapt to customer needs.

In a review of service encounter and service quality literature, Farrell et al (2001) identified eleven dimensions of agent behaviour that comprise behavioural Service Quality Implementation – adaptability, assurance, civility, customer orientation, empathy, recovery, reliability, responsiveness, spontaneity, tangibles and teamwork.

Most recently, research undertaken by Jayawardhena et al (2007) found that service encounter quality in a business to business context is influenced by four factors: professionalism, civility, friendliness and competence. This enhanced Winsted's (2000) research which identified three dimensions of behaviour: concern, civility and congeniality. This translates into what Beaujean et al (2006) coin as "emotionally intelligent" behaviour.

Despite the targets and measures imposed on them, agents must still be allowed considerable freedom and discretion when dealing with service enquiries in order to be effective and properly motivated (Bowen & Lawler, 1995). Sales/service employees are more likely to be successful (in terms of positive sales and service results), if they have adequate control at the point of customer contact (Churchill Jr. et al, 1974) over how to perform their job (Bowen & Lawler, 1995).

Jarrar and Neely (2002) concur that to be successful, agents need to take ownership of the customer throughout the process, rather than handing over a question or issue. Agents will perform well when they understand the "what" as well as the "why". It helps when they are given the freedom to do the job the way they think it should be done and to treat customers the way they think they should be treated (Beaujean et al., 2006).

Another dimension of the concept of 'control' is that agents need to be aware of the business and strategic context in which they are performing their job, as well as having accountability for performance outcomes (Bowen & Lawler, 1995). In other words, agents should be given regular feedback on how they are performing to clearly link their efforts with outcomes (Bowen & Lawler, 1995). It is important that both sales and service behaviours are appropriately rewarded and recognised (Jarrar & Neely, 2002).

Yet constant trade-offs between speed and additional sales can make an agent's role very ambiguous. This in turn can lead to stress or job dissatisfaction for the employee (Rhoads et al., 1994; Bettencourt & Gwinner, 1996). While some authors (Hartline & Ferrell, 1996; Evans et al., 1999) agree that having a dual role is likely to increase levels of stress that will have a negative impact on performance, others (Beatty et al., 1996; Schneider & Bowen, 1995) argue that increased job scope leads to greater awareness of customer needs and enhancing problem solving resulting in higher levels of performance.

In summary, while the characteristics of good service agents have been extensively studied, there is little evidence of how, if at all, these characteristics differ when the role includes a sales component.

3.6. Measuring sales and service performance

Several firms have successfully introduced schemes that reward both service and sales behaviour in their customer contact staff. Goods retailers and department stores have consistently used commission-based rewards structures, as have service retailers such as banks (Evans et al., 1999). However, Evans et al (1999) suggest that if it was as simple as introducing a commission-based reward programme, other department stores would have replicated Nordstrom's success. They propose that other reasons for success or failure are prevalent. For example, the extent to which contact employees experience role ambiguity (Hartline & Ferrell, 1996) or service firms' organisational structure (Schneider et al., 1998). Role ambiguity can occur when agents lack sufficient information about their role and are unsure what is expected of them from different parties (Singh, 1993).

Eichfeld et al (2006, p. 10) agree that "while a good incentive plan is necessary, it is not a panacea". In their study of six North American banks, they found that although monetary incentives acted as strong motivators for cross-selling, they found no correlation between cross-selling performance and the way that incentive plans were structured. In other words, the agents that are most successful at cross-selling will do so regardless of the reward structure.

Jarrar and Neely (2002) propose a middle ground for hard measures. For example, random monitoring to ensure compliance to a script and verbally rewarding positive habits such as listening to customer feedback or correctly identifying needs.

The bottom line seems to be that firms should aim for a balanced scorecard – if one component is forgotten, it could be more detrimental than beneficial. In other words, service and sales must be complementary not contradictory (Schneider et al., 1998).

In terms of measurement of firm performance, Jarrar and Neely's (2002) survey of more than 200 US banks in 1999 revealed that banks predominantly measured cross-sell campaigns

based on the number of cross-sells. More than three quarters did not measure cross-sell effectiveness in terms of its contribution to overall profitability or to individual profitability.

Accordingly to Eichfeld et al (2006), on average, customer service agents at North American banks cross-sell less than one core product for every 100 inbound calls they handle.

However, they knew of two North American banks who cross sell up to four core products and up to five additional relationship-building products every 100 calls. They proposed that most bank call centres with high levels of service quality, could achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiative.

In summary, there is little evidence of measures of sales and service initiatives in inbound service call centres. The only evidence of up-sell/cross-sell ratios is in the context of North American banks.

4. Research strategy

This research used a qualitative method to explore the research question, as it is generally considered to be good for identifying new concepts (Carson & Coviello, 1996) and particularly suited to the study of services marketing (Gilmore & Carson, 1996). According to Wright (1996), qualitative research plays an important role in accessing key decision makers in organisations, particularly in highly competitive markets where companies are reluctant to disclose information which is regarded as sensitive.

The use of case research is a viable method to investigate “good practice” in marketing (Bonoma, 1985) and useful in an area where the theoretical base is relatively weak and where the environment could be described as ‘messy’ (Harrison, 2002). Depth and detail of detail was obtained through in-depth interviews with key personnel, following Carson and Coveillo’s (1996) suggestion that this can be obtained only by getting physically and psychologically close to the subject matter. It is also an efficient, cost-effective method of qualitative research (Wright, 1996).

A semi-structured interview protocol with mainly broad, open-ended questions ensured a consistent pathway to analysing the interview data (Yin, 1994). Prior theory and literature was used to develop the interview questions. Interviews were supplemented with additional data where possible (e.g. reports/presentations).

To add triangulation of data, a number of call centre agents were observed in practice, as well as informally interviewed. This method is appropriate when the researcher needs to become totally immersed and experience the work or situation at first hand.

4.1. Selection process

The non-probabilistic technique of purposive sampling (Gill & Johnson, 1991), where a certain sample is taken to be representative of the whole population, was used to select respondents. Random sampling was not possible given competitive issues and the small number of significantly important companies operating in this field.

At an organisational level, purposive sampling was used to ensure that ‘good practice companies’ were selected. At a respondent level, purposive sampling was used to ensure that people representative of developing as well as actioning the process were selected.

The first two cases, Barclays and O2, were selected as they were known to be exhibiting the phenomenon under investigation and were willing to continue as research subjects following their participation in the September 2006 Henley report “how companies use customer insight to drive customer acquisition, retention and development: an exploratory multiple case study”. Access to the utility case was initially through Vertex, the UK’s largest business process outsourcing company and lead sponsor of the Henley Centre for Customer Management. Following investigations and interviews at Vertex’s call centre in Liverpool, it was discovered that the ‘value-add’ initiative for the utility was in its infancy and it was deemed necessary to visit one of the utility’s own call centres, where the ‘value-add’ initiative was long established.

Desk-based research was carried out to uncover companies from a variety of industries who were speaking at industry conferences on the topic of ‘sales through service’, ‘value-added’ initiatives or turning their contact centres into profit centres. Companies who were known to be advanced in their use of customer insight were also targeted. Speakers from approximately fourteen companies were approached via email to invite their participation. Phone calls were then scheduled to qualify their suitability as case studies. To be suitable, the cases had to cross-selling, up-selling or retaining customers through their inbound service call centres. The call centres had to be UK based (for ease of access) and they had to be using technology (or planning to use technology in the near future) to deliver customer insight into the hands of call centre agents. This selection process led to a healthcare company, RIAS and The AA joining the study. It is acknowledged that there was inevitably a degree of convenience sampling.

In addition to conducting the interviews and participant observation, respondents were asked to share any information they had in the form of printed or electronic material.

4.2. Interview schedule

27 people were interviewed on 24 occasions for a total of 16 hours and 24 minutes

Company	Date	Location	Job title	Length (mins)
Barclays	20.02.07	Coventry	Sales & Service Manager (A:1) Head of Contact Centre (A:2)	47
Barclays	20.02.07	Coventry	Senior Sales & Service Development Manager, Commercial Team (A:3)	57
Healthcare	30.04.07	Confidential	Customer Experience Manager (B:1)	60
Healthcare	30.04.07	Confidential	Confidential	36
Healthcare	30.04.07	Confidential	Confidential	16
Healthcare	30.04.07	Confidential	Senior Manager – Actuarial (B:4)	12
Healthcare	30.04.07	Confidential	UK Service Manager, Customer Relations & Loyalty (B:5)	46
O2	21.03.07	Leeds	Head of Business Customer Service (C:1)	63
O2	28.03.07	Slough	Head of Value Development, Customer Service UK (C:2)	76
O2	13.04.07	Telephone	Head of Business Retention & Customer Development (C:3)	32
RIAS	31.05.07	Bournemouth	Head of Brand & CRM (D:1)	36
RIAS	31.05.07	Bournemouth	Head of Household (D:2)	18
RIAS	31.05.07	Bournemouth	Head of Customer Service & Fulfillment (D:3)	40
RIAS	31.05.07	Bournemouth	Customer Services Director (D:4)	54
The AA	11.04.07	Basingstoke	Customer Contact Manager (F:1) Customer Insight & Data Manager (F:2)	68
The AA	09.05.07	Cheadle	Head of Call Centre (F:3) Sales Manager (F:4)	50
Utility	23.03.07	Confidential	Head of Contact Centre (E:1)	32
Utility	23.03.07	Confidential	Operational Planning Manager (E:2)	23
Utility	23.03.07	Confidential	National quality & compliance manager (E:3)	36
Utility	26.01.07	Liverpool	Account mgr, Vertex (E:4)	57
Utility	23.03.07	Confidential	Operations Manager (sales/compliance) (E:5)	17
Utility	23.03.07	Confidential	Operations Manager (E:6)	35
Utility/Vertex	26.01.07	Liverpool	Account mgr, Utility (E:7)	27
Utility/Vertex	26.01.07	Liverpool	Call Centre Operations Manager (E:8)	45

Table 6: Interview schedule

(3 interviews were with two people at the same time and one interview took place via the telephone).

The interviews took place between 26th January 2007 – 31st May 2007 and the average length of each interview was 41 minutes. Each interview was electronically recorded

In addition to the formal interviews, 16 call centre agents were observed for approximately 45 mins – 1 hour each. During pauses between phone calls the agents were questioned. Their comments were noted but not audio taped.

Agents were observed from the following companies:

Barclays	2 x sales agents
Healthcare	3 x customer service agents
O2	3 x business customer service agents
RIAS	2 x customer service agents
The AA	2 x customer service agents ('save a member' team)
	2 x customer service agents (member services team)
Utility	2 x customer service agents

4.3. Analysis

The analysis of qualitative data collected during case study research is acknowledged as challenging (Spencer-Matthews & Lawley, 2006). To analyse this research, the interviews were transcribed, printed out and read through in batches per company, together with any supporting documentation from respondents and notes from the observation of call centre agents. The technique of content analysis was then used to analyse the interview information into sections, attaching codes to data in an Excel spreadsheet.

Quotations were used to support the findings. A letter followed by a colon and then a number was used to identify the source of the quotation – the letter refers to the case and the number to the individual respondent within that case. For example, the code B:1 represents case organisation B, interviewee 1.

When all cases were written up, tables were developed to summarise the data (Miles & Huberman A, 1994) and to provide a platform for cross-case analysis (Patton, 1990).

5. Case descriptions

The following cases were included in this study:

Barclays Bank plc	Financial services
Healthcare company	Health and care
O2	Mobile telecommunications
RIAS	Insurance
The AA	Membership services
Utility company	Energy

Each case is now discussed in turn, beginning with an overview of the company, including the volume of customers and inbound enquiries. This is followed by a description of why the company has invested in a sales and service initiative (market factors). After that is an overview of how customer insight is generated and delivered to the front line, followed by a review of the generic issues associated with implementing a sales and service initiative. After that we examine the qualities of agents successful in a sales and service role. Finally we conclude with a review of how each company is measuring the results of their sales and service initiative.

5.1. Barclays

Barclays was a financial services organisation which moved, lent, invested and protected money for more than 27 million customers and clients around the world – from large businesses to personal account holders. In the UK, Barclays had a customer base of 9.1 million, of which 2.2 million had actively registered to use the telephony channel and did so on a regular basis. Barclays handled approximately 17 million inbound calls per annum. Due to data suppressions and permissions, only three million customers could be approached in an outbound fashion.

Inbound calls were dealt with by approximately 700 ‘service’ agents based in Sunderland, Coventry, Manchester, Chennai and Mumbai and 650 ‘sales’ agents based in Liverpool, Manchester, Sunderland and Coventry. The calls were routed straight through to sales or service agents depending on how customers were ‘pre-scored’ and identified by the IVR system. For example, customers with pre-identified sales opportunities, lending limits or negative balances automatically were routed to sales agents who first dealt with their service enquiry before seeking sales opportunities.

Customers who were not identified by the IVR system were automatically routed to service agents, who were tasked with spotting opportunities to hand-off to sales agents once they had dealt with the service enquiry.

5.1.1. Market factors

The main business driver behind Barclays’ inbound initiative was a need to meet aggressive growth targets. The inbound channel was regarded as an under-utilised one that could proactively be used to drive sales. Secondly, Barclays was adopting a more customer-centric approach that involved providing the best possible service for all customers. In a highly competitive market, Barclays needed to compete on something other than price and providing excellent customer service was one way of achieving this. Also, customers were becoming ever more demanding and expected their bank to understand their individual needs and to make them appropriate and customised offers.

In terms of goals, customer development was high on the list, although there was a strong sentiment of ‘doing the right thing’ for the customer. For example, if it didn’t tell the customer that they could get a much better return on their money by opening a savings account rather than holding money in a current account, Barclays felt that it was doing its customers a disservice. In other words Barclays felt a duty to promote the right products to the right customers during inbound conversations.

Another goal was to strengthen the relationship with the customer in order to retain them and encourage positive word of mouth endorsements. That involved not only providing excellent service, but having conversations that encouraged customers to broaden their portfolio. The thinking was that the more products a customer held with Barclays, the more likely Barclays would retain them. However, the emphasis was on ‘customer service first, revenue second’, because that was more likely to lead to long-term customer retention.

Finally, Barclays aimed to close a link in the service-profit chain by empowering its employees with competitive products that they felt comfortable recommending. If they were confident that customers would be receptive to offers, they would be more likely to offer them and customers would be more likely to accept them.

5.1.2. Generation and delivery of customer insight to front-line

In 2005 the Barclays CRM team commenced a programme of activity to support Barclays' desire to develop a 'best in class' inbound marketing capability. It focused on Barclays' central telephony system, which presented Customer Action Prompts (CAPs) to agents, advising them on additional products they could offer to customers. These achieved limited success for a number of reasons: only 7% of all calls had a CAP available to them; only one CAP was presented to each customer (not necessarily presenting the best opportunity); the quality of information and support being provided to agents via the telephony system was poor - for example, CAPs were not being removed when products were withdrawn, and the telephony system could only deliver a message to an agent at 255 characters (not enough to support an agent to have an insightful conversation); agents' lacked confidence in the CAPs as a tool to initiate sales conversations and there were no real incentives in place to use the CAPs to drive sales performance during inbound calls. Consequently, sales results were poor, with only circa 330 sales per month driven from CAPs.

In November 2006, a new system called 'CRM Lite' was rolled out following a successful pilot. At the time of interview in Feb 2007, 500 of the 650 sales agents had access to CRM Lite and by the end of March 2007, all would have it.

When a customer called Barclays, the call was routed to either a sales or a service agent (depending on pre-scoring) and the agent saw a screen with the customer and account details. The agent cut and pasted the customer's ID number into CRM Lite and received additional information on the customer's value and loyalty towards Barclays (known as value and attrition propensity markers). The agent also saw a summary of the last five interactions that had been undertaken with Barclays e.g. branch visits, ATM withdrawals, new direct debit set up, direct mail shot sent, outbound call received etc. CAPs were re-branded as Customer Service Opportunities or CSOs and multiple ones were now available for each customer (up to 5), allowing the agent to select the most appropriate one depending on the conversation.

40% of all calls routed through to sales had at least one CSO available with 35% having more than one CSO. Additional support, information and sales questions were available for each CSO, to explain why it was being presented and to suggest 'conversation openers'. For example,

"How would you feel if I could save money on your home insurance policy?" (A:3)

For the 60% of calls that didn't have a CSO available, the enhanced contact history still enabled the agents to initiate a conversation –

"What did you think to our offer of a loan at 6.3%?" or "I see from your direct debits that you've just taken out a loan with XYZ company – did you ask us for a quote?" (A:3)

An advisor was observed successfully moving a customer from a competitive loan to a Barclays loan. This was achieved through an observation of a new direct debit, as opposed to a CSO.

Three tick boxes were introduced to collate responses to CSOs – did you present the opportunity? Was there a positive outcome? Did you complete the sale or hand-off to sales? Agents had to tick the appropriate box at the end of a call.

In 2007, more extensive data quality, measurement and feedback mechanisms were introduced. For example, a real-time performance tally for individual advisors, with access to aggregate and individual performance data for team leaders and managers. Metrics were introduced into agents' and team leaders' performance development plans to encourage enhanced usage of CRM Lite. Service agents were encouraged to handle customers with sales CSOs when calls overflowed from sales. They were also incentivised to spot hand-off opportunities to sales during regular service calls. New CSOs were developed specifically for the service community which would help agents to cleanse and increase the quality of customer data during service calls.

5.1.3. Issues

One of Barclays' biggest concerns about introducing 'CRM Lite' was overcoming advisors' skepticism towards the data. Somehow they had to convince agents that the data was trustworthy and that customers would be receptive to the offers proposed. Agents were concerned that they would mis-sell customers based on inaccurate data and that this would have a negative impact on the customer experience. There was also scepticism towards a previous system that wasn't very customer friendly over the phone. For example, a loan application would take about 45 minutes and

"the customer would be losing the will to live after about 10" (A:1)

Agents were afraid to initiate a lengthy process that they thought would annoy customers.

Another concern was the amount of time it would take to train people to use a new system and processes and the negative impact this might have on customer service. There was also a concern that service people might not be able or willing to take on a sales role and Barclays would end up losing excellent service staff. Historically there were agents who had been in the business for a long time delivering fantastic service, who found it extremely difficult....

"it wasn't in their psyche and make-up" (A:2)

.....to sell to customers. So Barclays decided to split the sales and service role. Service people focused on delivering excellent service and handed-off sales opportunities to sales. Sales people first fulfilled the service requirement before exploring cross-sales and up-sales opportunities. The atmosphere in the sales call centre in Coventry appeared to be very relaxed for a sales environment and the observed agents did not appear to feel pressure to sell at any cost.

Service people were paid less than sales people, but at least they remained with Barclays. All agents when they joined were first trained to deliver excellent service, before they were introduced to sales. They were trained to know when it was appropriate just to service a customer and not to pursue a sale.

From a technological perspective, the new CRM Lite system was a standalone tool, which meant that agents had to log into two separate systems. Barclays was concerned that agents would not be prepared to take this extra step, but could not afford to wait another year until the two systems were integrated. By the end of 2007, a new integrated system will be piloted, with a full roll-out in 2008. When this is in place, agents won't have to pro-actively load two different systems and the information will be displayed in a much clearer fashion. They are also working to add sophistication to the way in which calls are routed within their contact centres.

Barclays has taken steps in the meantime to improve the 'user-friendliness' of the systems as well as to increase the number of CSOs that are available to agents (Barclays still needs to reach its target of 40% of calls having a CSO available). For example, using 'real language' such as 'sale made' rather than codes that no-one could remember. The first advisor was observed to handle four calls in an hour's time period. Only one call presented a CSO and it was inappropriate to make the offer as the agent had to pass the call to another call centre to take details for childrens' health insurance. Another call did present a CSO and the agent successfully handed a home insurance lead to the insurance team.

Rather surprisingly, Barclays was not concerned about increasing average handling time (AHT). In fact, in some pilot teams, AHT actually decreased. This was because agents had always had a responsibility to spot opportunities, but they previously didn't receive much help in identifying them. So instead of having to dig around for information, the system prompts made it much easier to engage quickly with a customer.

Since real-time monitoring was introduced, sales management had an instant snapshot of how their team was performing. This helped managers to develop their staff in a more pro-active and informed way.

5.1.4. Agents in a combined sales and service role

One of the keys to success for Barclays seemed to be the building of agents' confidence in the data. This was reflected in the statistics, as the usage of CRM Lite increased from 16% of calls to 35% of calls within a period of only seven weeks.

"we know now that the advisors are comfortable in presenting the opportunities because they feel that the quality of what we're giving them will help them in achieving their sales targets and is actually benefiting our customers in terms of talking to them about opportunities they might not have even known were available to them" (A:3)

Secondly, it seemed to be important that agents could competently deal with both service requests and sales opportunities. To help them do this, Barclays provided agents with a 'sales and service toolkit' which not only acted as a reference toolkit, but took them on a 'learning journey' during 'green time' (when there were no calls coming in). The toolkit was

very interactive and agents could take quizzes to test their product knowledge. This helped them prepare for the quarterly product knowledge tests which were introduced quarterly.

The third key element was that agents had to have a genuine concern for the customer –

“certainly in the time that I’ve spent listening to sales agents they will always look to do the right thing for the customer” (A:3)

Life experience was also considered an important quality for agents to have – agents who had a mortgage or credit card of their own were more likely to be comfortable selling these products. Barclays also witnessed that their team of ‘key-time mums’ were better at positioning payment protection products.

Finally, the reward structure for agents was considered vital, including a balanced portfolio of measures to reward the right sets of behaviours. For example, it was no good exceeding a sales target if customers lodged complaints about miss-selling or an agent was not conforming to strict financial services compliance guidelines. The best agents were the ones that managed to achieve a consistent, balanced set of behaviours.

5.1.5. Metrics and results

The two main groups of metrics were those which measured organisational performance and those which measured agent performance. From an organisational perspective Barclays wanted to know the following:

- On how many calls has an agent accessed CRM Lite?
- On how many calls did CRM Lite present at least one opportunity?
- How many opportunities did agents actually present?
- How many presented opportunities had a positive outcome (where a positive outcome could mean a closed sale or a hand-off from service to sales)?
- Which opportunities are most successfully converting to sales?

	Before CRM Lite	With CRM Lite (during pilot)	Stretch goals
Availability Rate	40%	20%	40%
Presentation Rate	17%	17%	50%
Conversion Rate	2%	10%	15%
# of CSOs per mth per agent presented	33	37	216
# of incremental sales per mth per agent from CSOs	1.3	4	26

Table 7: Summary of Barclays' metrics and results

In terms of simple numbers, if there were 1000 opportunities, agents would be expected to present 500 (50%) and convert 75 to sales (15%), to achieve the stretch goals.

The results in 2007 improved dramatically from week to week, as agents became accustomed to and confident in the system. At the time of research, data was only available up to week seven. Usage of CRM Lite increased from 16% of calls in week one to 35% of calls in week seven. The availability of CSOs remained fairly constant at an average of 17%. The presentation rate was occurring at only 80% of the stretch target of 50% but the conversion rate was almost double the 10% achieved during the pilot, at an average of 19%. Combined sales and hand-offs had risen from 320 in week one to 653 in week seven.

Prior to the introduction of CAPs or CSOs, Barclays would achieve one sale per 14 inbound calls. At the time of research, this had risen to an average of one sale per 10 inbound calls (on particular days of the week this was as high as one sale per seven inbound calls). At the time of the previous research project (March 2006), Barclays had achieved one sale per 11 inbound calls.

From an agent perspective, each sales advisor had a performance plan that consisted of a balanced scorecard in three main areas:

- 50% Sales performance (performance against agreed targets)
- 25% Customer focus (performance against service business standards)
- 25% Operational excellence (adherence to operational targets)

5.2. Healthcare company

HEALTHCARE was an international health and care company with eight million customers in 180 countries and over 40,000 employees. It received approximately 1 million inbound calls per year from its three million UK members. These calls were handled by 80 customer service agents (who handled outbound as well as inbound calls). The main driver of inbound calls was renewal documents being sent out, so the volume fluctuated heavily depending on renewal dates. The main reason for calling mid-contract was to discuss a change in circumstance such as moving house, changing name, getting married/divorced or reduced income.

5.2.1. Market factors

In the early 1990s HEALTHCARE had been a market leader for a long while with little competition and the focus was on bringing in new business. As competition intensified (particularly as people started going abroad for treatment), the focus switched to retaining customers and it was recognized that HEALTHCARE had to start competing on factors other than price. Consumers were also becoming more 'savvy' and were expecting to be informed about relevant products and services. A large investment was made in training – teaching agents about the link between having a broad portfolio of products and loyalty/retention. However, as HEALTHCARE acknowledged,

“people aren't as loyal as they used to be – they're used to shopping around” (B:2)

5.2.2. Generation and delivery of customer insight to front-line

HEALTHCARE was currently in the process of consolidating 72 different IT systems into one system, which were to be rolled out in phases during 2007 and 2008. Outbound agents were able to work with models that calculated customer lifetime value and propensity to lapse, which were very useful for cross-selling and retention purposes. However, the same insight was not available to inbound agents, so they were unable to identify the value of inbound callers.

The new system is planned to deliver much better insight to agents and to enable them to have more meaningful conversations. For example, inbound agents will have an alert panel to indicate: what particular products or services are appropriate offers for an individual customer, customer complaints history, propensity to lapse, previous claims on policy, lifetime value etc.

At the time of research, cross-selling was very ad-hoc and service agents had to transfer all sales leads to a 'cross-sell team', who acted as a gate-way to other sales teams. This meant that agents only had the opportunity to cross-sell/up-sell one product, as they could only transfer the call once. Approximately three years ago the 'cross-sell team' was set up with the goal of targeting customers with a high propensity to lapse or with a high lifetime value score in an outbound fashion. However, due to operational capacity issues, this team was mainly supporting the inbound function.

As HEALTHCARE was regulated by the Financial Services Authority (FSA), it could only talk about HEALTHCARE's products and services and had to let a customer know this. When it was giving advice about products it had to ask a series of questions and record answers, to leave an audit trail for the FSA. For example, "are you registered with a GP? What are your expectations of cover?" As the agent responded to screen prompts and records answers, a decision engine proposed appropriate products and services which were confirmed in writing. Due to regulatory issues, service agents could no longer talk about travel products or critical illness cover and they couldn't actually book health screenings, so the ability to offer additional products and services was severely limited.

HEALTHCARE also has to adhere to data protection guidelines during each call which could make the call quite cumbersome.

5.2.3. Issues

HEALTHCARE faced major organisational barriers to successful cross-selling and up-selling, primarily due to systems issues (no single view of the customer and 72 different systems) as well as product silos. For example, travel was run as a separate business with separate targets and measures. It also had some critical operational priorities in terms of being able to handle incoming calls efficiently –

"we've got a lot of fundamental changes just to get the operation right" (B:2)

It also had to overcome a corporate culture that believed that service and sales are and should remain two separate entities. The mindset at HEALTHCARE was that

“service people don’t do sales. At least 50% of the people I’ve got down there are out-and-out service people, they’re not motivated by money, they want to deliver fantastic service, they’re not going to try to give the customer something perhaps they don’t want, or aren’t really willing to push it or investigate it.” (B:2)

The ethos at HEALTHCARE was

“we take care of lives in our hands” (B:5)

and there was real concern that customers might respond negatively to being ‘sold to’ during service calls. This was a serious issue for an organisation that has a history of being risk-averse.

A related concern was the enormity of the training task. This would partly be necessary to expand the product knowledge of agents and partly to equip service agents with sales skills and new behavioural patterns. At the time of research, agents felt that capturing customers’ needs was for the primary purpose of compliance.

The main driver for inbound calls was price increases and often callers were very emotional and distressed if they felt they could no longer afford private healthcare. In these circumstances, HEALTHCARE agents did not feel it was appropriate to cross-sell and up-sell. It was observed that the majority of enquiries were from elderly ladies who had concerns about price increases and needed to downgrade their cover, or people ringing in to cancel cover because they were either moving abroad or changing to a job that offered group cover. Some of the calls were quite emotional and generally I got the impression that agents felt sorry for their customers and would have felt it inappropriate to talk about additional products and services. They also seemed resigned to the fact that several customers were lost and did not feel a sense of pride if they retained a customer.

5.2.4. Agents in a combined sales and service role

HEALTHCARE knew that to be successful at cross-selling and up-selling, it needed to feel

“completely authentic for the advisor and for the customer on the receiving end. It shouldn’t be like a wolf dressed in lamb’s clothing” (B:3)

In other words, the agent had to feel that they were genuinely acting in the interests of the customer. They also needed to have confidence in the advice and offers they were making. For example, the take-up of a fitness offer was minimal because

“agents knew it wasn’t going to be compelling for the customer” (B:3)

HEALTHCARE felt it was important for agents to feel empowered to 'do the right thing' for the customer. For that reason it provided them with toolkits rather than directives.

5.2.5. Metrics and results

From an organisational perspective, HEALTHCARE measured renewal or 'lapse' rates. These targets were displayed prominently in the office. The lapse target for 2007 was no more than 50,800 lapses, which equated to an overall lapse rate of about 11% per year. At the time of research, HEALTHCARE was over-achieving on the target of 12,530 with 12,202 actual lapses. If the customers told them why they left HEALTHCARE, a lapse code was recorded, but the information was far from complete for all lapsed customers.

At the time of research leads passed through the cross-sell team were only loosely recorded. During the observation of three agents, only one caller was handed to the cross-sell team. On average the team handled 25-30 wellness leads and 20-25 cashplan/health additions per month. Travel leads were unknown. Later this year, HEALTHCARE wants to accurately record how many leads are passed through the cross-sell team and how many are converted to sales.

Agents were measured in four areas: (1) soft skills (2) compliance (3) product knowledge and (4) call logging/use of systems. Out of a total potential score of 205 points, only 10 points could be awarded for recognizing lead generation opportunities. Cross-sell was currently not part of the quality check when calls were monitored.

In the future, HEALTHCARE would like to reward agents based on profitability. For example, down-grading cover would reduce profitability and cross-selling would enhance it and agents would be rewarded accordingly.

5.3. O2

O2, a UK-based mobile telecommunications provider (de-merged from BT Cellnet about 5 years ago) employed 5500 customer service agents who handled approximately 50 million inbound calls every year. Within this, the Business Customer Service department employed 600 agents who handled approximately 2,340,000 calls a year. The main call driver for all calls to customer service agents was billing enquiries, followed by requests for handset upgrades, replacement handsets or purchase of new handsets. As well as complaints, they also received a whole number of general enquiries about network coverage, location of masts, traffic line, concierge service (find the nearest plumber or window cleaner), country calling plans etc.

5.3.1. Market factors

O2 operated in a very aggressive and competitive marketplace. Within the mobile industry there wasn't one clear leader and each player offered similar prices and propositions. Hence the only differentiators were around customer service interaction, value-added services and account management. In other words, non-price competition was the main driver for this initiative. In the words of Matthew Key, O2's UK CEO

"how do we truly differentiate ourselves against our competitors? How do we really offer the great customer service that gets talked about a lot, but rarely delivered?" (C:2)

Another driver was the recognition that traditional outbound marketing approaches were becoming less popular with customers, as they were perceived to be invasive and intrusive. The inbound channel on the other hand offered enormous opportunities to tap into customer needs and build customer relationships.

O2's customer research indicated that up-selling and cross-selling actually increased customer satisfaction –

"customers expect us to understand them and their business, what's relevant for them and to tell them about it at an appropriate time" (C:1)

So by focusing on cross-selling and up-selling O2 was driving customer satisfaction levels, which in turn led to increased satisfaction and reduced churn (a huge issue in the mobile industry).

A key goal of O2's initiative was to improve the customer experience. This was broken down into two components. Firstly, more customers who were happier and more loyal and secondly, adding value to customers so they added value to O2. If an agent had insight into a customer's behaviour and needs, they could use that knowledge to create empathy and strengthen the relationship. A stronger relationship would lead to increased loyalty and revenue over time.

At a business strategy level, as well as having a 'customer promise', O2 also had a 'people promise'. It recognized the principles of the service profit chain which establishes a link

between happy employees and happy customers. Therefore it recognized that it was critical to create an environment where employees felt comfortable selling additional products and services. O2 recently came 5th in the Sunday Times “best companies to work for” and it did not want to upset employees by asking them to do something they didn’t feel comfortable with. Generally speaking, the agents at O2 were observed to be very motivated and said they felt valued at O2, suggesting powerful links in the service-profit chain at O2.

5.3.2. Generation and delivery of customer insight to front-line

Two or three years ago, O2 had a large department of analysts carrying out project-based analysis of their customers in order to create specific segments and targeting models. However, this approach was too slow and did not deliver actionable results immediately. Consequently, O2 installed predictive data-mining software from Chordiant, which enabled it to produce large volumes of predictions, very quickly.

The system was christened ‘VISION’ and incorporated 45 propensity models fed by transactional and external data. Compared to previous technology, the models could be calculated in one-seventh of the time and operated in real-time. The software was customized into six versions, aligned to different product lines, sales teams and service call centers. At the time of research it had been rolled out to 3500 agents. Its goal was to enable front-line staff to make the right offer to customers, in the right place, at the right time to improve the customer experience, engagement and loyalty. Every time a reason, an answer or a sales proposition was chosen, or the caller’s response was recorded, the decision logic that drove this intelligence reassessed the callers concerns, interests and risk to determine the next best thing to do. Every choice and response was recorded for subsequent reporting. The decision logic was configured by the marketing department to reflect the way in which products and services were to be offered and the way these recommendations were presented was configured by the contact centres to reflect how the propositions were to be conveyed to the caller.

In the inbound service call centers, the VISION system offered advice to agents on how to handle service enquiries and problems. For example, it alerted an agent if a customer had a high propensity to churn or signified a payment risk. Once the enquiry or problem was resolved, the system suggested the top three most appropriate products or services to talk about to individual customers, and provided a script to help agents to talk about the top one.

The VISION system was not yet integrated with the billing system, so agents needed to take the customer ID from the billing system and pro-actively pull up the customer’s record in the VISION system.

O2’s ‘sales through service’ programme was known as the “adding value” programme and it was launched after agents starting using the VISION system. The following diagram illustrates the high level strategy for the programme from 2007 – 2010. Programme owners attributed its success to the triangulation of systems & processes, soft skills and product knowledge, underpinned by cultural change and channel alignment.

The individual components of the programme are discussed in more detail in the following sections.

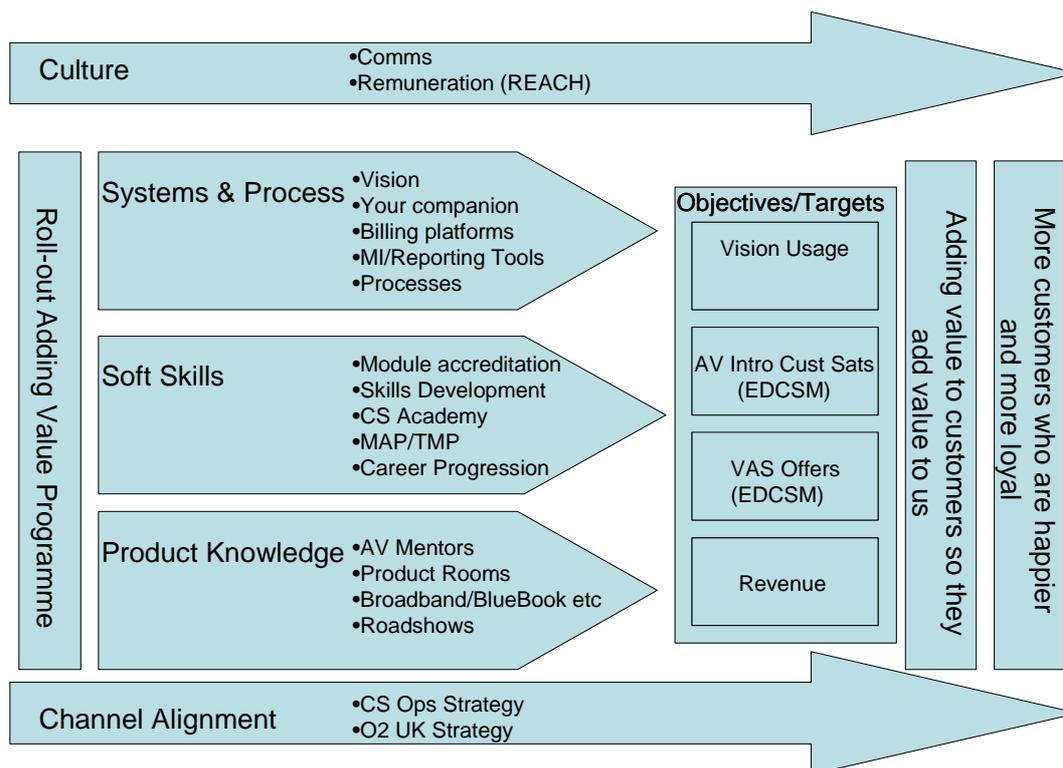


Figure 7: O2's Value Development high level strategy

5.3.3. Issues

One of O2's first concerns was around the skill-set of the current advisors and how much training would be required, in terms of product knowledge, soft-skills and cultural change. Could existing agents be re-trained or would O2 need to hire new people with the required skill-set? O2 had to consider the unions and potential HR issues of changing the job specification of agents hired as customer service advisors.

O2 was also concerned about how the initiative would be communicated, as service agents would most likely object to becoming 'sales people'. It was crucial that the initiative was positioned as 'adding value' to customers rather than being a 'hard-sell'.

Although O2 expected the initiative to improve commercial performance overall, there were short-term operational concerns –

“does it (the system) work; is it intuitive; does it give me consistent results?” (C:3)

It was also concerned about the potential impact on average handling time –

“budgets were built around x agents delivering y number of calls, so was that going to impact on service levels, which in turn would then have a detrimental impact on customer experience, because customers would have higher wait times?” (C:1)

Customers might be annoyed by obvious attempts to cross-sell and up-sell which could have had a negative impact on customer satisfaction.

Programme owners were concerned about the support that the business would give to this initiative –

“would it be a switch-on, switch-off type programme when things get busy? Would we allocate the resource behind the programme to really make it happen at a local level? Are we masking this as improving the customer experience, when really it’s about selling?” (C:2)

Finally, O2 was worried about how it was going to measure the effectiveness of its initiative from an organisational and technological point of view and how it was going to reward people at the individual level. It was aware that measures were a strong driver of agent behaviour and the wrong measures could create role ambiguity and again have had a negative impact on customer satisfaction –

“there is a danger that actually they won’t focus on the service element but they’ll do the up-sell because that’s where the benefit in terms of the reward is” (C:1)

“If we mis-sold to customers, what would be the impact on complaints?” (C:2)

Focusing on the customer experience rather than a revenue target was perceived crucial to the success of this initiative –

“if you chase the revenue number, I don’t believe you get a wonderful by-product of satisfied customers by default” (C:2)

O2 was very careful “not to use the sales word –

“we talk about helping customers to choose, we talk about promoting or explaining products, rather than selling them to customers” (C:2)

So far O2 regarded itself as successful in this regard –

“I’ve not come across a single case where the customer’s complained because we miss-sold” (C:2)

O2 considered the roll-out approach to be very successful – initially as a pilot to enable feedback from agents and lots of refinement before moving to a phased roll-out –

“during the pilot we wanted to see how the advisors feel about it, do we have the right metrics, is it impacting on average handling time etc.” (C:1)

The pilot was launched in February 2006 and gradually rolled out across the business by the end of summer 2006. There were some initial issues with data latency and relevance of offers which were addressed.

For the programme owners, the roll-out felt intensely slow. However, on reflection, they felt it was the right pace to ensure that advisors were fully on board –

“there was a kind of twisted irony, that for me whilst it feels painfully slow, our advisors appreciated the pace and it’s actually helped to buy them into the process” (C:2)

O2 attributed its success partially to its extensive training programme, encompassing technology, product knowledge, soft skills and cultural change.

One of the learnings for O2 was that the VISION system came before the ‘adding value’ classroom training for advisors, which was not the ideal order. O2 decided to go ahead and launch VISION before it was technologically perfect i.e. not yet integrated with the billing system and only half of the products that O2 could promote to customers represented in VISION. For cost reasons, it decided to focus initially on those products that deliver the most value.

In terms of building product knowledge, O2 provided regular update briefings, road shows, “buzz sessions” and access to an online customer service academy providing ‘top ten tips’. O2 also encouraged agents to have ‘hands on’ experience with its products in dedicated “product rooms”. Each month every advisor had to complete ten questions in a skills and knowledge location quiz.

O2 employed a team of dedicated coaches focused on monitoring and improving attitude, skills and knowledge. The downside of having a dedicated team of coaches was that sometimes managers could abdicate responsibility for the coaching, so O2 was moving to a model where managers were being coached to take on the role of coach to their people. Coaches met with the managers on a weekly basis to discuss which areas of focus were required for each team member (established through call statistics, call observations, feedback from customer satisfaction surveys and advisors themselves).

When O2 first launched the initiative, it had to retrain existing customer service agents to up-sell and cross-sell. However, from that point onwards it changed its recruitment processes so all agents were hired to be sales and service agents.

O2 had some initial concerns about increasing average handling time (AHT), but the impact turned out to be minimal.

“Interestingly, what we’ve seen is a three month bell-curve effect. When advisors start using the system on day one, AHT rockets because they’re getting used to the buttons and the process and everything else. After about three months they’ve returned back to the same AHT they were

at before, sometimes even lower. We found that they're replacing some of the fluffier conversation with the customer with meaningful exchange. So we actually expect to make savings to the customer service budget by reducing AHT." (C:2)

In conclusion, O2 attributed the success of its programme to a triangulation of systems and processes; soft skills and product knowledge. In the words of the Head of Value Development, Customer Service,

"it all works when it all works" (C:2)

5.3.4. Agents in a combined sales and service role

Competence, confidence and genuine concern for the customer were considered to be key determinants of agent success.

"The guys who speak confidently, knowledgeably and articulately can build up rapport very quickly" (C:3)

Agents had to have extensive product knowledge to talk confidently about a range of products and services. O2 conducted research at the beginning of the initiative and discovered that its advisors knew four or five products really well.

"So what do you think they talk to customers about? The four or five products they know very well, even if VISION pops up something else. They click 'not relevant' and they never have the conversation with the customer because they don't understand the product" (C:2)

Confidence did not just equate to self-confidence in own abilities.

"Confidence also relates to the offers that they're making – they have to be relevant and genuinely good ones for the customer and likely to be accepted. Agents also have to be confident that the processes they follow actually work, because this can affect their ability to then develop a relationship with the customer" (C:1)

In terms of soft skills, agents needed to possess good communication skills and be able to build rapport and empathy. They also had to adapt their communication style to the needs of the customer. For example,

"some customers want us to use their surname, some like Sir, some like Madam, some don't. And rather than have rigid frameworks in place, advisors need to develop the confidence to be able to interact with a customer and establish that when you ask a customer a name, they need to adapt to the customer's style" (C:1)

The usage measure (of VISION) was set at 75%, in recognition of the fact that if it was not appropriate for an agent to use it on the call, then it shouldn't be used. This was typically the case if the call was about a complaint or if the customer had previously had a bad experience. It was important for agents to feel that they were empowered to decide when it was appropriate to cross-sell/up-sell. O2 also acknowledged that newer advisors needed to spend at least the first three months focusing on delivering an excellent customer experience and gaining the confidence to cross-sell and up-sell.

All of the agents I observed commented that they needed to feel in control of the call and empowered to use their own knowledge as well as system prompts. The system was still new enough that they saw it as an added complication rather than an aid. They didn't like to feel like they were selling, because that made them "nervous". In my opinion, the focus was indeed on first satisfying the customer's enquiry (which were many and varied) and if it wasn't appropriate to make an offer, the agent would not make one (although they always checked in VISION to see what offers could be made). The agent who felt least comfortable with the thought of 'selling' to customers tended to default to making offers that were non-revenue generating for O2 and therefore more likely to be accepted. However, the agent acknowledged that her development plan included working towards changing this mind-set.

Another success factor appeared to be clear communications and sharing of information – agents had to understand why they were being asked to do something, how they were performing and how this impacted on the business. O2 held 'visioning' sessions in groups of about 50 to update agents on what the Customer Satisfaction Index was telling them and how customers were responding –

"a lot of effort is put into helping agents understand why we're asking them to do something, what their contribution is and how this fits into the overall customer strategy and wider O2 strategy"
(C:1)

5.3.5. Metrics and results

O2 had a balanced scorecard of measures that focused primarily on making sure that agents delivered a rich customer experience. O2 talked about the '4 As' – accuracy, attitude, access and advice. At launch, it was not mandatory for agents to use the VISION system, but within six months a usage target of 75% of all calls was phased in. At the agent level, customer satisfaction was measured through call monitoring/observations and at team manager level and above they were measured through the EDCSM (Event Driven Customer Satisfaction Monitor), a customer satisfaction programme run by an external company. The goal was to achieve a balance of productivity, quality and quantity (in terms of sales). From 1st July 2006, O2 was planning to transition to offer-based targets. At the end of 2007/early 2008 it is likely to transition to acceptance targets.

On average, 73% of all customer service consumer and SME (small and medium businesses) calls were entered into VISION. Of those 73% of calls, 38% of customers were being offered an additional product or service. In 41% of cases, this resulted in an agent processing an order (this goes up to 47% if they included offers where a customer was

recorded to have taken an action as a result of the offer). Agents were not yet targeted on conversion rates, but these will probably be introduced at the end of 2007/2008 when agents are used to the system.

Approximately 50% of offers were non-revenue generating for O2 (e.g. a new handset or extra minutes), but the overall effect was that bill value increased by an average of 15% in the month after the offer was accepted. Retention costs have also been reduced by £150-200k per month and customer churn has reduced by 3%. In 2006 O2 generated £9 - 10 million of additional revenue by cross-selling and up-selling to customers. All of these results have been achieved without an increase in average call handling time during the year 2006.

	Target	Actual
Calls entered into VISION	75%	73%
Offers made to customers	40%	38%
Acceptance rate	30 – 50%	41% (orders processed) 47% (including where customer takes action)

Table 8: Summary of O2's sales through service measures

In the future, O2 will deepen its analysis of the impact on customer satisfaction i.e. what happens to customer satisfaction where O2 does and doesn't offer additional products and services? So far,

“universally across all the segments and all the months, where we offer an additional product or service to a customer, they're happier” (C:2)

O2 felt it was important to track the impact over time, because as agents become more seamless about the way in which they offer products and services, the customer may feel like they are being offered fewer products, when in reality the opposite is true. O2 may need to change the current question in the EDCSM (Event Driven Customer Satisfaction Monitor) from “were you offered any additional products and services?” to something that still captures the information it needs.

5.4. RIAS

RIAS was founded in 1992 by David Holden, under the name of IAS, to provide high quality, low cost insurance to the over 50s. The company was purchased in 1998 by the Fortis Group, one of the twenty largest financial institutions in Europe, with total assets of over £700 billion. David Holden left in 2003, at which point a brand review was carried out and the company's name changed to RIAS. The business was focused 80% on outbound activity and 90% of the business came from home insurance.

In the past five years, RIAS had doubled its staff, trebled the number of policies held and increased its income by 350%. It had approximately 880,000 customers holding over one

million policies, 7% brand recognition and according to external benchmarking data, the most loyal customers out of all insurance businesses in the UK. Its home insurance business was the same size as SAGA's (its nearest competitor) and its motor business had increased ten fold to approximately 250,000 customers.

RIAS had a total of 155 inbound customer service agents, broken down into household (50 agents handling 396,000 calls per year), business retention (58 agents handling 420,000 calls per year) and motor (47 agents, call volume not revealed). Customers called for a myriad of reasons: renewals, querying cover, cancellations, moving house; travelling abroad, purchase of valuables, change in circumstances etc.

5.4.1. Market factors

Around 2004 the insurance market became much more competitive and a message of "we can save you money on insurance" was no longer sufficient to win business. The market for the over 50s suddenly became

"the new exciting market to play in, because 80% of the assets in the whole of the UK are owned by the over 50s" (D:1)

Non-price competition was therefore a major driver for RIAS' inbound activity.

A second driver was the fact that consumers were becoming much smarter, much better informed and more demanding –

"they are far more commercially savvy, far more aware, are driven by more technologies, and therefore this information is far more accessible to them" (D:3)

A third driver was the increasing difficulty in marketing outbound, hence the move towards the inbound channel.

"Outbound is becoming harder, and harder, and harder because of TPS and the fact that customers don't like to be contacted in an outbound fashion" (D:1)

A major goal for RIAS was to build loyalty. In order to do this, it knew that it firstly had to have additional products to talk about that customers would be happy to recommend to family and friends and secondly, the right customer experience associated with the delivery of those products. The latter meant that

"it's not about selling more stuff and making more revenue, it's about keeping customers loyal for longer" (D:4)

A secondary goal for the future was the smarter use of technology to help build better and stronger relationships –

“technology is about creating a situation where everybody can have a tailored relationship which is directly related to them” (D:4)

5.4.2. Generation and delivery of customer insight to front-line

RIAS started out as an outbound, affinity-based business, with an aggressive sales culture focused on customer acquisition. This changed at the beginning of 2004 as the market became very competitive and RIAS no longer experienced

“luxurious retention and acquisition rates” (D:3)

The new management team at this time therefore took the view that

“acquisition is fundamentally important, but there’s much more work now around lifecycle modelling, the customer experience and the renewals cycle” (D:3)

RIAS therefore started to invest in its inbound customer service channel. However, unlike other companies in this study, RIAS was coming from the starting point of a sales culture evolving to a service culture, as opposed to the other way round. This meant that there was no technology or processes in place to create or deliver customer insight to inbound service agents, to support them in the sales process. Sales agents had not needed customer insight prompts as they had very successfully sold based on intuition and successful solicitation of customer needs.

The sales culture was noticeably dominant at RIAS. The agents had no hesitation in offering a number of ‘add-ons’ during each call. On one occasion this was clearly inappropriate - the customer got rather irate about being offered home emergency cover when she wanted to claim a refund on an individual policy (due to a new buildings policy covering the whole block of flats).). (Note. This is true, but we also have a bag full of letters from customers who were thankful they had our home emergency policy when their boilers broke and they needed help)

At the time of research, inbound service agents in the household business could only up-sell household products, they could not cross-sell products from other areas of the business (due to skills, technology and organisational issues). They could only capture renewal dates and pass them over to the motor business for outbound marketing purposes. They could also hand off leads for pet or caravan insurance (for which the agent received no credit).

RIAS is in the process of developing a marketing database, as well as investing in analytical resource to help build propensity models such as propensity to lapse and propensity to

attrite. These will be based on six or seven facts about a customer, for example, direct debit, age, ten year affinity versus RIAS branded channel etc. RIAS is starting to develop customer lifecycle profiles to help it to understand which transactions provide the highest value –

“when you talk about customer experience there may be 24 - 30 transactions in the life of a customer, of which maybe seven impact on revenue or retention” (D:4)

The current IT system had no insight prompts - offers were made based on intuition. The agent had no formal access to the customer’s transactional history apart from anecdotal notes. A pilot system called “Insight” is currently being tested by six advisors, who handle 300 calls per week from an affinity group of 8000 customers. By early 2008 it is planned that the new IT system will display a single view of the customer across all product areas as well as insight prompts on the screen.

5.4.3. Issues

At the time of research, RIAS had a long journey ahead in terms of the realignment of business and technology to the customer. It was in the process of merging the customer service function to look after all products in future and putting the technology in place to support this. A customer insight team was also starting to develop customer lifecycles and propensity models and will in future deliver insight into the hands of customer service agents.

“In six months time I think you’ll see something that’s really quite different” (D:4)

One of RIAS’ foremost concerns about adding sales to a service call was that selling would be prioritised over service, due to the strong sales culture –

“if it doesn’t make money in that call, it’s a no-goer” (D:1)

RIAS was in a position where suddenly it had a brand strategy based around advocacy through customer experience and it was worried that customer experience might be sacrificed in favour of up-selling.

RIAS had concerns about the skill-sets of agents from a number of perspectives. Firstly that they would be able to judge the appropriateness of selling an add-on. Secondly that they had the in-depth product knowledge necessary to talk confidently and competently about a broader range of products. Thirdly, that they genuinely would address the needs of the customer and not just take a

“blanket bomb approach” (D:3)

In my opinion, there was evidence of the ‘blanket bomb approach’, where all customers were being made the same offers.

Fourthly that it might have to change the employment mix, because some agents

“have been employed into customer services because they do not want to work in sales” (D:3)

The company needed to fulfil sales obligations whilst avoiding a

“natural drain of all the expertise we’ve got around customer servicing activities” (D:3)

RIAS had major operational challenges in terms of organisational product silos, meaning that agents could only up-sell (“add-ons”) rather than cross-sell. Lack of customer insight was another major concern for RIAS, in the sense that it drove short-term actions rather than long-term customer value –

“I don’t think we’ll sell more add-ons if we’ve got customer insight in the future, but I think what we might do is sell more of the right add-ons” (D:4)

I observed that although RIAS had an impressive track record of selling additional products to existing customers the focus appeared to be on short-term gain at the potential expense of longer-term loyalty.

RIAS was also concerned that it could generate the right customer insight to understand how additional products could be put together in such a way so as to reduce the risk of customer churn, not increase it.

“At the moment, the way we put products together, doesn’t add any value for us because people with more than two products are high risk – if they move one product, they’re likely to move the other” (D:4)

Unlike other companies, RIAS was not concerned about the impact on average handling time (AHT). The view at RIAS was that

“the advisor has a tough enough job talking to the customer. So call length isn’t the advisor’s problem, it’s the management team’s problem” (D:4)

According to external data from a company called Direct Excellence, RIAS had the most loyal customers in the insurance business in the UK. It attributed this to the amount of time it spends talking to customers (almost 100 seconds longer than the industry average).

“Our product isn’t any different, our fulfilment isn’t any different, our overall claims service and proposition isn’t any different. The only thing is we spend longer talking to people the first time that we interact with them, and that means we sell more, and that means customers are more loyal. There may be other things going on, but that’s really all I can see that makes a complete difference” (D:4)

This attitude to AHT was quite different from any other firm in this research project.

5.4.4. Agents in a combined sales and service role

RIAS believed that successful sales and service agents were confident, competent and had a genuine concern for customers. They needed to have excellent product knowledge in order to be able to talk confidently and competently to customers. The simpler the products were, the easier this was to achieve –

“we have a very successful cross-sales result. I think probably the reason for that is, again goes back to the simplicity of the products. We’re not selling particularly complex products so it enables the agents to have a needs-based conversation very quickly and our advisors are very comfortable with it” (D:3)

Genuine concern was also critical to create empathy with customers –

“having an employment force that really, truly understand and have empathy and compassion for the customer and really want to do that, I think is very difficult. It is particularly difficult to gain empathy with customers when there is a mis-match in age profiles. Call centre agents tend to be very young and “it is very difficult for a young person with no dependence, with no commitments, to empathise and understand the financial concerns or worries of the over 50s” (D:1)

It was all the more important then for agents to be empowered with sufficient insight into who the customers were, what they wanted and what was important to them, to be in a position to empathise.

5.4.5. Metrics and results

RIAS placed a triangulation of measures on its customer service agents based on productivity, compliance and revenue. Productivity included calls per hour (target of 7.5), AHT and percentage of time spent servicing the customer, although RIAS was

“tactically, deliberately not strict on AHT” (D:3)

It believed that AHT was something for managers to worry about, not agents. Compliance was linked to call quality and adherence to data protection and FSA (Financial services Authority) guidelines.

From a revenue point of view, advisors were targeted on their ability to successfully up-sell to customers (8.5% of all calls for customer service and 15% for retention). This year a 'value per call' incentive was added i.e. agents received varying points based on the difficulty of selling different products. For example one add-on was worth £40, another one was worth £9. Customer service agents had a target of £1.85 average revenue per call and the average for the retention team was £2.40. Agents typically made a cross-sell offer to over 50% of calls in order to achieve a conversion rate of 8.5% of all calls.

To make comparisons to inbound sales (as opposed to inbound service): on 30% of all calls an offer was made, with a 35% conversion rate equivalent to 1.2 sales per hour. The overall conversion rate of all inbound sales calls was therefore 3.5%. Compared to outbound sales to prospects: 25% of all calls resulted in an offer being made, 3% conversion, 0.3 sales per hour. isation standpoint, RIAS recorded the fact that the customer had called, the reason for the c

From an organ all and the outcome of the call. However, it did not measure the number of offers made or record which offers were made.

“At the minute we have a very crude method which is flawed if advisors don't do it” (D:3)

My observation was that agents failed to capture unsuccessful offers. The danger with this process was that when the customer next called in, they were likely to be made an offer that they had already refused in a previous call.

Metric	Target	Actual
Offers made to customers	None set	'More than 50%'
Acceptance rate	8%	8.5%
Average revenue per call	£1.85	Not known

Table 9: Summary of metrics and results at RIAS

5.5. The AA

The AA was formed by a group of motoring enthusiasts in 1905. In 1999 members voted overwhelmingly in favour of the AA demutualising and joining the Centrica group in a £1.1 billion acquisition. In October 2004 the AA left the Centrica group, following its acquisition for £1.75 billion by two leading European private equity firms, CVC and Permira.

In 2007 its breakdown services had more than 15 million members (six million personal members and nine million business customers). Its product portfolio encompassed insurance (and was the UK's largest insurance broker), driving school and driver training, travel and leisure, and loans.

This research projects focused on the AA's road business. Approximately 374 agents (330 in member services and 44 in 'save a member') handled just over three million inbound calls every year from a call centre in Cheadle. Members mainly called to discuss their account, pay their membership, set up direct debit, give name, address and vehicle changes etc.

One of the big obstacles to a 'sales through service' relationship was that the opportunity to interact with its members was very small compared to other companies.

"unless someone breaks down, we often have a 'once a year' relationship, which means that when they call us it's really precious that we do the right thing for them" (F:3)

5.5.1. Market factors

The main goal of the AA's initiative was customer development. It was recognized that the inbound channel presented un-tapped opportunities, particularly when it was becoming increasingly difficult to market in an outbound fashion. The lifetime value of a customer was becoming more important and nurturing clients was a stated goal rather than an ethos of

"I must sell them something today" (F:2)

5.5.2. Generation and delivery of customer insight to front-line

The AA had been cross-selling in its call centres since the early 1990s, but with two changes of ownership in 1999 and 2004 and an increasingly diverse product range, it had

"lost the way and tried to be everything to everybody" (F:2)

The launch of a major CRM initiative within Centrica from 2001 – 2004 shifted the focus towards technology, to the extent that the AA

"forgot what it was going to give the customer service agents" (F:2)

The cross-sales activity became driven by internal sales people rather than customers –

"there was no real analysis of what's best for the customer or what's best for us from a company or value perspective – it was purely what was flavour of the month for the salesman" (F:2)

Approximately 18 months – two years ago the AA started to coordinate and simplify activity within the call centres to focus on three core areas: memberships, motor insurance and home insurance. It began delivering individual customer insight through to the agents' 'green screens' to drive more intelligent cross-sales activity. It delivered prompts rather than full scripts because the technology did not allow full scripts and because it left the agents enough freedom to still feel they were in control of the call. For example, if a customer phoned with a complaint, it wasn't appropriate to try and sell them additional products.

The agent received prompts for no more than four or five 'next best products' to introduce to the customer. The 'Road' agents were able to sell upgraded membership services but cross-sales of motor or home insurance had to be passed to other teams (due to regulatory issues). Alternatively the agent arranged a suitable time for the customer to be called back by the insurance team.

The agents I observed in the member services team were very comfortable exploring the needs of the customers and successfully managed to up-sell and cross-sell in almost every call. However, because the agents felt so comfortable with selling, they were not always paying attention to the insight prompts, preferring to offer the products they most liked to sell.

Customer insight was generated from the AA's rich customer data warehouse with more than 40 data feeds of both internal and external information, providing a single view of the customer. The insight was calculated using business rules rather than propensity models and was uploaded to "Focus" (the 'green screen' CRM system) on a monthly basis and displayed to the agents via a Graphical User Interface (GUI).

In addition to promoting products, the agents were tasked with collecting missing data such as telephone numbers and date of birth, as well as getting agreement to 'opt-in' so that the AA could market to them in an outbound fashion.

Agents in the 'save a member' team had a tougher job, because they were generally faced with customers who wanted to leave or who became very upset when they couldn't get a refund. Although the system enabled them to see product holdings, service history and previous price paid, the agents had to manually calculate how much they could give away (which meant dexterity with a calculator!). Despite this, the two agents that I observed exceeded their retention and average discount targets.

The AA was piloting a new GUI called "Guide" which was more 'windows based' than 'green screen'. In the future, it is planned that this one GUI will bring five different systems into one interface, making it much easier to structure calls. The customer profile gives agents information on what opportunities to present, what products are already held, which leads are outstanding, which opportunities have been previously refused and details of the last contact. Most of the member services agents will have this new version by the end of 2007.

The agents who didn't yet have "Guide" were looking forward to having the new system, particularly because it would tell them what products a customer had already been offered and refused.

5.5.3. Issues

Following the acquisition in October 2004, the business went through a major restructure which resulted in quite severe service and operational issues. During this time, approximately 100 call handlers were re-deployed to back office functions, as the focus was on recovering operational excellence rather than customer development. The longer term effect was that when the inbound call centre gets busy, the AA can draw on this pool of staff.

"For at least 20% of their time they will be doing call handling activity. That allows us to manage peak demands much better, so much better customer experience, Our abandonment rates for a service environment are really low - 2%. Whereas when I got here the abandonment rates were quite a lot higher than that, they were double digits" (F:3)

The AA had also gone through an extensive multi-skilling programme, so that everybody was able to deal with almost any enquiry that came through.

“So you have a first point of contact resolution for the member when they phone up, rather than being passed from pillar-to-post” (F:3)

When cross-selling was first introduced in the early 90s, there was a lot of resistance from service agents. However, the recruitment profile and culture has changed over the years and getting service people to sell was not an issue any more –

“now we say they’ve got to be a good servicing person who’s also capable of selling” (F:2)

The AA has become more concerned recently about the impact on the customer experience

–

“you don’t want the customer to come off the phone thinking, all I was doing was changing my address and I’ve been bombarded with sales initiatives” (F:1)

The leadership style had changed dramatically since the acquisition to one that is very consultative and ‘in amongst people’. The agents commented that they had noticed a change in direction with the new management team, where sales had to be balanced by AHT, as opposed to being encouraged to ‘do whatever it takes to make the sale’.

The leadership team physically moved out of their offices and located themselves in amongst the operational floors so that they were visible.

“I would rather have 700 brains thinking about a problem, rather than just me or one or a dozen of the management team. I would also like to get people with their issues right from the frontline to come up to the leadership team and say, ‘I can’t do this.’ And then to resolve it very quickly so that people have the confidence to keep raising issues” (F:3)

Interestingly, the AA had to consider the impact of terminology on the success of the initiative. For example, the agents didn’t like the term ‘next best action’ and preferred ‘opportunities’.

The AA had concerns that the insight prompts might distract agents from actually listening to customers. The agents needed to be able to

“weave it into the dialogue, rather than it being something that gets added on at the end, or just feels uncomfortable or awkward” (F:1)

If the agents were unable to do this, it might have a negative impact on average handling time (AHT).

In reality, the AA had taken around two minutes out of its average handling time in the past two years, whilst moving away from a service to a sales and service environment. However, it admitted that it measured AHT far more rigidly than it would like to.

“In an ideal contact centre you wouldn’t constrain people’s average handling time, you’d say, ‘take whatever the right time is to do that.’ As contact centres mature and get into a particular state, then that is a measure that you can come off the gas with. We’re not at that stage of evolution yet, it’s still fairly important” (F:3)

I observed that agents indeed felt pressurized by their AHT targets and this influenced their behaviour. One agent noted her AHT after every call and was alarmed that it was too high over a 30 minutes’ period. She said that she would not attempt to cross-sell/up-sell in the next 30 minutes, in order to bring her AHT back in line.

In summary, like every business, the AA has been hampered by systems, process and technology to some extent. However, it has made real improvements in shifting the emphasis to people –

“fundamentally I would say that it’s people, not process and system, who will overcome the challenges” (F:3)

5.5.4. Agents in a combined sales and service role

The AA believed that having the competence to listen and respond with relevance was the most important success criteria for a sales and service agent.

“one of the biggest differences I’ve seen between good operators and poor operators is how well they listen to the call” (F:1)

Extensive product knowledge was also important, otherwise agents tended to default to offering the products they were most familiar with, rather than necessarily the most appropriate. Linked to that was having confidence that the products they were offering were good ones and likely to be accepted by the customer.

As well as competence, confidence and a genuine concern for the customers, the AA added a fourth dimension of ‘Commercials’ i.e.

“if you can get the frontline staff to understand the commercials of running a business, that way they can help to drive and improve the business” (F:3)

Clear communications were vital to ensure that agents understood the link between what they were being asked to do and how this affected their job security –

“the frontline staff need to understand that selling something that doesn’t last or gets cancelled really isn’t very effective and has a real detrimental effect on our retention of customers in the long term. Selling something genuinely and correctly identifying opportunities to sell will actually reinforce the security we have in this site and the jobs that we have” (F:3)

The most effective sales and service agents were those who were able to balance productivity with quality and revenue –

“we want everybody to be on the nail, we don’t want these people who are getting really high conversions, but with a huge AHT” (F:4)

Finally, successful agents were ones who had confidence that the organisation would listen to issues and respond to them.

5.5.5. Metrics and results

All agents had to achieve a balanced scorecard of productivity, quality and revenue. Productivity included such measures as AHT, punctuality, attendance, unavailable/personal/breaks. Quality measures varied from team to team. For example, the ‘save a member’ team was measured on correct promotional code usage, correct use of refund process, compliance and overall quality.

In terms of revenue, agents were measured on the proportion of calls that presented an opportunity and percentage of calls that resulted in a sale or a lead (targets varied depending on the area of the business).

Proportion of calls	Joint/Family membership	Product upgrade	Continuous payment	Break-down cover
Opp not presented	35%	35%	13%	42%
Opp presented & declined	60%	60%	85%	56%
Opp presented & accepted	5%	5%	2%	2%

Table 10: Metrics and results for up-selling at the AA

Proportion of calls	Motor immediate	Home immediate	Motor Far dated	Home Far dated
Opp not presented	43%	43%	43%	43%
Opp presented & declined	55%	56%	38%	50%
Opp presented & accepted	2%	1%	18%	6%

Table 11: Metrics and results for cross-selling at the AA

Agents were also measured on their ability to capture email addresses and telephone numbers, in recognition of the fact that this helped to nurture long-term customer relationships and increase customer lifetime value.

Proportion of calls	Email capture	Mobile tel capture
Opp not presented	37%	37%
Opp presented & declined	62%	61%
Opp presented & accepted	1%	2%

Table 12: Metrics and results for data capture at the AA

The 'save a member' team was measured on retention conversion and the average discount they had to give away to retain a member. In April 2007 the team was over-performing on both of these targets – it was at 116% of its retention conversion target and only giving away 91% of the targeted average discount.

Measure	Target	Actual April 07
Retention conversion	x%	116% of x
Average discount	£x	91% of £x

Table 13: Metrics and results for customer retention at the AA

The AA was also able to provide predicted sales volumes resulting from cross-sales, AHT per sale, cost of acquisition, cost to serve, margin and five year value. These figures were deemed too confidential to include in this report.

The following communication of business success was displayed in the call centre: In 2006.....

- Over 20,000 existing members were upgraded to Homestart in breakdown situations
- Over 8,000 existing members were upgraded to Relay in breakdown situations
- Over 25,000 people became Associate Members in breakdown situations
- Over 32,000 trade-ups in total were made in breakdown situations
- During summer 2006 (June – Sept) over 3500 members had to add Relay at the time of break-down
- During Winter 2006 (Nov – Feb) over 10,260 members had to add Homestart at the time of break-down
- It is not always possible to add a service at the time of break-down, so it is better to add it in advance

5.6. Utility company

This utility company's vision was 'to be the UK's best integrated energy supplier and a world leader in renewables.' The research project focused on the UK Energy Retail business, with approximately 5.2 million customers serviced through five call centres in the UK.

Approximately 6.6 million inbound calls were handled per annum by just over 1000 agents.

The main reasons why customers called into the service centres were to query their bill, to correct or leave a meter reading, to request a balance statement or to report a change of circumstance (change of name or address) etc. A major challenge for any inbound value-add initiative was that

"often it's the people that can't pay that are phoning in. If the customer's happy, they aren't phoning you. So actually your best customers are the ones that aren't contacting you" (E:1)

I observed that these agents had a very tough job! The majority of callers were calling with problems, either with paying their bill, querying the direct debit, amending readings, changing suppliers etc. Many of the callers had difficulty speaking English. Despite this, the agents were cheerful and motivated and did not appear stressed by unachievable targets.

5.6.1. Market factors

The utility industry was extremely competitive, very price sensitive and very fast moving. With rising energy prices, UTILITY was able to differentiate itself through capped, fixed rate prices. However, at the time of research, prices were falling for the first time in a long while and UTILITY was re-focusing on non-price competition. Not only did it want to develop its customer base (from 5.2 million to 5.3 million customers), it needed to focus on the right customers (something that is traditionally only achievable based on customer insight).

"in the past we've only grown for volume – quite a lot of our competitors were doing that to get a positioning in the marketplace. Now, growing with the right customers is key" (E:1)

A major driver in the utility industry was customer complaints – a very sensitive issue due to Watchdog and other consumer programmes. Utility companies were now competing to provide an excellent customer experience to try and reduce energywatch complaints (£320 fine for every complaint, excluding any compensation that has to be paid). Utility companies were finding that customers were becoming more and more demanding and

"tend to expect more as every year goes past" (E:1)

UTILITY was focused on three 'big goals' in 2007:

- 1) Customer experience - based around call quality scores, first call resolution, Energy Watch complaints
- 2) Financial drivers - adherence to schedule, AHT
- 3) 'Value-add' - cash collection, customer development and customer retention.

These three goals were not regarded in isolation –

“you do the right things, you get the customer on your side, because people always buy from honest people – the people they want to deal with. So the ‘value-add’ almost becomes a by-product of good customer service” (E:5)

5.6.2. Generation and delivery of customer insight to front-line

In November 2006, UTILITY launched a programme designed to provide customer insight to customer service agents and to help them to sell ‘value-add’ products and services. The three main ‘value-adds’ were direct debit, ‘Hot keys’ (adding gas or electricity to the fuel supply) and cash collection.

In support of this project, an ‘off the shelf’ rules engine IT package was purchased. When calls came in, the rules engine, router and switch tried to find a match for the customer number (if a match wasn’t found, the customer was asked to enter an account number). The system would identify approximately 75% of customers based on either their telephone or account number. Once the customer was identified, the system would return a customer profile, automatically route the call to the most appropriate advisor (across all the call centres) and advise them how to handle the call. For example, it could prompt them to ask for an actual meter read, or highlight a cash collection or up-sell opportunity.

Different call centres had agents that specialised in different areas, for example, payment plan, quarterly credit, home move, online, SME (Small & Medium Enterprises) and customer lifespan (new customers who have come on board in the last four months).

If a customer service agent offered an additional product or service to a customer and the customer expressed interest in accepting it or finding out more, the call was transferred to a CRM team to complete the sale. Likewise, if the agent felt that a customer was unhappy and/or likely to leave, the call would be transferred to the CRM team as a retention opportunity. The system recorded when a customer had been offered a product and refused it, to prevent agents making the same offer five times and potentially annoying the customer. I observed that the agents appreciated the fact that the system did not allow them to make the same offer to a customer multiple times.

Customer service agents received an instant email from the CRM team letting them know whether the opportunity they handed over had been successful or not. I observed that the agents were eager to check their email after they had passed an opportunity over to the CRM team to see whether it was successfully converted or not.

Extensive training accompanied the launch of the new IT system.

5.6.3. Issues

One of the first concerns with the 'value-add' initiative was that it would be hampered by strict regulation in the utility industry –

“regulation will get harder and tighter for us as we go forward” (E:1)

UTILITY was also concerned about increased complexity, both for the customer and the agent. It didn't want the customer to feel overwhelmed or annoyed at being offered additional products.

UTILITY trialled a 'sales through service' pilot two and a half years ago and

“it really, really failed” (E:6)

This failure was partly attributed to being called 'sales through service' and partly due to half of the agents being taken from the CRM team and the other half from customer services. This led to conflict because of the perceived division between sales and service –

“oh you're sales, and I'm service. And you don't have a clue how to service to the customer', 'well you haven't got a clue how to sell to the customer.’” (E:6)

With this history, UTILITY was concerned about the difficulty of changing the will and the skill of its customer service agents –

“obviously a customer service agent and a sales agent have a completely different mind-set” (E:4)

Many of its customer service agents had worked there for 30 years and it was concerned that they would not be receptive to change.

The new initiative was very deliberately called 'value-add' and not 'sales through service'. Although the new technology provided customer insight and reporting data, UTILITY attributed its success largely to major cultural and structural change. It had invested heavily in cultural and behavioural training in the past two years to change agent mindsets from

“I don't want to do a sale” to “it's not a sale, it's a value-add” (E:6)

UTILITY re-educated agents to think

“you’re doing a disservice to customers if you don’t offer them the products and services that we can provide that will make their utilities cheaper” (E:6)

It has also changed the recruitment profile of its sales and service agents, using an external recruitment agency.

UTILITY also invested in team manager training, called Building Leadership Excellence (BLE). This consisted of a series of two day courses aimed at helping managers to consistently recruit the right staff, manage and motivate them effectively. Organisational changes included a new call centre director and new operational managers, many of whom have worked in the CRM environment.

UTILITY completely re-aligned its performance measurements from

“average handling time, average handling time, average handling time” (E:6)

to broader measures. It had quarterly and monthly, rather than weekly targets on its agents, which were more motivating. This sent out the message that

“it’s OK to have a bad day sometimes” (E:1)

It also removed a potentially negative attitude to passing on sales leads by not making it mandatory –

“it’s a voluntary option, but if you do it you’ll be financially rewarded. It’s not rocket science – if the guy next to me is suddenly picking up an extra £200 a month because he’s doing all these ‘value-add’ activities, I’m going to start doing it too” (E:4)

Prior to the incentive scheme being introduced

“customer services was quite quiet, quite subdued and not at all like sales. Now we maintain a kind of buzzy culture” (E:6)

UTILITY was a strong believer in the power of teams and let its team leaders decide on the best way to motivate their teams to achieve their targets –

“each team manager will know what their team likes and dislikes. Some like the camaraderie of doing things together, some like a bit of competition with one another and some just like discussion and general getting on it from day to day” (E:1)

I observed a great sense of camaraderie and fun within the teams, although they were very competitive!

Contrary to the findings of previous research studies, UTILITY's average handling time has reduced since the introduction of the new programme. Initially it increased, but once the agents had more knowledge and understanding and could have a better overall conversation with customers, AHT reduced. The message that UTILITY tried to get across to its agents was

"it's about the customer experience, so don't look at this as having 25 targets. It's about how you speak to the customer, and the way you interact with the customer, and your pitch, and your tone, and your manner with that customer, as to how successful you'll be in gaining some of these opportunities. So don't look at it and say, 'I've got to cash, I've got to get direct debit, I've got to get hot keys, I've got to get my AHT down, I've got to get quality, I've got to get all these things that we have.' Actually, if you just focus on what the customer wants, and go through your call script bit by bit (and the systems provide you with prompts to do that), then you'll actually succeed in all of these" (E:6)

5.6.4. Agents in a combined sales and service role

UTILITY believed that the main prerequisite for a successful sales and service agent was confidence, from many perspectives. Firstly, self-confidence and a belief in ability were paramount.

"Probably that's why the age of a lot of the call centre agents is quite low, quite young, because they do tend to be a bit more confident than some of the older employees" (E:6)

Agents also needed

"confidence in the process, confidence in the knowledge of what they're talking about and confidence in the people they're passing it over to. Agents generally worry that their colleagues across the business are actually going to convert the call for them" (E:1)

Agents had to be confident that any issues they did encounter would be resolved quickly and efficiently.

The agent also had to genuinely believe that by talking about 'value-adds', they were enriching the customer experience –

"you don't want any agent to think, 'my job is to come in and tie in with all the value-adds'. It's not - the job is to deliver an excellent customer experience. The by-product would be the value adds" (E:1)

“the agents who tend to be genuinely concerned for the customer, again, are the people who are quite ambitious, quite confident and are able to take their job one step at a time, and take a call one step at a time, and not feel as if, well I've just come in here to do 40 calls today” (E:6)

UTILITY believed it was crucial that agents understood the complete business picture behind the performance management framework, so that they were not looking at ‘value-adds’ in isolation. Communication was therefore absolutely vital. They also felt it was important for agents to feel empowered and in control of the call still –

“there’s an element of allowing the agent to dictate the environment they work within. One of the greatest challenges is to create an environment where agents are in control of their own destiny” (E:1)

Agents also needed to feel that they were being listened to and that

“they have some kind of hand in being able to make a change in the company” (E:6)

Agents liked to know how they were performing – with the new resource planning system, they could see their AHT in real time, as opposed to waiting until the next day.

Another important factor was

“a capacity to accept change, because the call centre constantly changes. Typically, the younger staff is more able and willing to adapt than the older staff. They’re not as confident with the new software that comes out, because we have introduced a lot of new software over the past two years. And the younger generation wants to understand how the technology works, they want to learn how to run different reports on it, they want to learn about these things because they may be keen to progress, they want careers. I think ambition as well makes somebody good” (E:6)

5.6.5. Metrics and results

UTILITY had a number of high level business metrics for 2007:

- (1) Three million customers on direct debit
- (2) Four out of five calls resolved first time
- (3) Three billion cash collected
- (4) Number one for energywatch complaints (i.e. best in the industry and the lowest number of complaints)
- (5) Number one for health and safety
- (6) 100% ‘golden accounts’ (accurate and complete data enabling Utility to tailor the calls based on customer insight)

Six months ago the customer services team introduced an incentive scheme based on 'value-adds' and quality. After agents had achieved a certain quality measure (based on first call resolution), they could win an additional payment based on 'value-adds'. Overall, call centre agents were measured on

- (1) Customer Experience (call quality, first call resolution, energywatch complaints, accurate data/correspondence efficiency)
- (2) Financial Objectives (adherence, AHT, productivity)
- (3) Value Adds (direct debit conversion, 'hot key' transfer, self-serve)
- (4) Data collection
- (5) Health & safety and environment

The targets for direct debit conversions varied widely from team to team. For example, the home movers team had a target between 31% – 34% and the SME team only 3% - 6%. The 'hot key' conversions to opportunities were more consistent at 60% - 65% across all areas (except Correspondence).

The cash collection targets also varied from team to team. For example, the payment plan team had a target of £30 - £40 per hour whereas the quarterly credit team had a target of £120 per hour. UTILITY was moving towards a target which was a percentage of the total debt on the customer accounts, rather than an hourly rate.

On 20th March, the team in XX call centre presented 1,222 'hot key' opportunities during 16,500 calls (7.4%). 760 leads were passed to the CRM team (62%) and 462 (61%) resulted in a sale or a save. 2,447 customers were offered a direct debit (15%) and 493 accepted (20% against a target of 12%).

From March 2006 to March 2007, hot key conversions at XX call centre had increased from 3% to 65%. Direct debit conversions had increased from 4% to 44%. Cash collections had gone from £20 an hour to £75. First call resolution had gone from 75% to 80%.

"We've exceeded all of our targets and our average handling times came down" (E:6)

Metric	Target	Actual
Direct debit conversions	12%	20%
Hot key conversions	60% – 65%	62%

Table 14: Results at XX call centre 20th March 2007

6. Synthesis and discussion

The six cases operated in different industries and had varying inbound call volumes and numbers of sales and service agents. According to Jarrar and Neely (2002), IT-enabled cross-selling appears to be in its infancy and few financial companies have been able to demonstrate success or failure yet. Arguably, all of the companies in this study were successfully cross-selling to a greater or lesser extent, although the variety of approaches to the combining of sales and service would seem to confirm the immaturity of this concept.

One case (Barclays) had sales agents handling service enquiries, one case (O2) had service agents with sales responsibility, three cases (RIAS, UTILITY and the AA) had service agents up-selling but not cross-selling and HEALTHCARE had service agents handing off all sales leads to a separate sales team. O2 had the highest average cross-sell/up-sell ratio in terms of volume – one sale per nine inbound calls – although no statistics were available as to the highest average revenue per sale. It was the only case that took the approach of having service agents with sales responsibility. Interestingly, O2 measured the number of times that offers were successfully converted to sales, but agents were not yet financially penalized or rewarded for successful sales conversions.

The following table summarises the position of each firm:

Category	Barclays	Healthcare	O2	RIAS	The AA	Utility
# of inbound calls per annum	17 mill	1 mill	50 mill	816,000	3 mill	6.6 mill
# of agents	1350	80	5500	108	374	1000
Service agents cross-selling	no	no	yes	no	no	no
Service agents up-selling	no	no	yes	yes	yes	yes
Service agents handing off sales leads	yes	yes	no	yes	yes	yes
Sales agents with service responsibility	yes	no	no	no	no	no
Average up-sell/cross-sell ratio?	1 in 10	n/a	1 in 9	1 in 12	1 in 50 1 in 20	1 in 33 1 in 8

Table 15: Summary of sales and service approaches across cases

Notes

Barclays: 700 service agents hand off sales leads to 650 sales agents with service responsibility

HEALTHCARE: Up-sales/cross-sales leads not accurately measured

RIAS: Household customer service (50 agents), business retention (58 agents)

The AA: Up-sales/cross-sales ratio varies from 1 in 20 to 1 in 50, depending on product area

UTILITY: 1 in 33 (cross-sells), 1 in 8 (conversions to direct debit)

6.1. Technology and services

Although the literature (Drennan & McColl-Kennedy, 2003; Jayawardhena et al., 2007) still regards service encounters as ‘low-tech, high face-to-face contacts’, all of the cases in this study were making extensive use of technology in their inbound service call centres. In terms of Bitner et al’s (2000) Technology Infusion Matrix, technology was being used by all cases to improve the efficiency and effectiveness of inbound service encounters to enable

customization/flexibility and improved service recovery, as well as aiming to spontaneously delighting customers with relevant offers.

Jarrar and Neely (2002) proposed that the two technologies required to support cross-selling are CRM systems and customer intelligence, ideally actioned together in real-time. They also suggested that predictive modelling was an important ingredient for cross-selling. Kamakura et al (2003) argue that firms often lack the techniques to make predictions about future needs and requirements and many make strategic decisions based on intuition and experience rather than customer insight (Prinzie & Van den Poel, 2006).

In this study, only two cases were using predictive modelling (Barclays and O2) – the other cases were generating customer insight based on business rules engines. Only O2 was calculating customer insight in real-time, although four cases (Barclays, O2, UTILITY and the AA) gave agents access to real-time monitoring of their performance.

The following propositions could be explored with further research:

P1: Companies that use predictive modelling to generate customer insight will have higher cross-sell/up-sell/retention rates

In this study, four out of six cases delivered customer insight directly onto agents' screens and two had plans to do so in the near future. Arguably, only one case (O2) was truly making decisions based on customer insight, two cases (Barclays and UTILITY) were doing so 50% of the time and three cases (HEALTHCARE, RIAS and The AA) appeared to be more reliant on intuition and experience with regards to making cross-sell/up-sell offers.

This data could give rise to the following propositions:

P2: To successfully up-sell/cross-sell, customer service agents need access to customer insight

P3: Cross-selling/up-selling based on customer insight is more likely to lead to long-term value

P4: Cross-selling/up-selling without customer insight is more likely to lead to short term gain at the expense of customer experience/long-term value

Category	Barclays	Healthcare	O2	RIAS	The AA	Utility
Insight generated using propensity models	yes	no	yes	no	no	no
Insight calculated in real-time	no	no	yes	no	no	no
Insight delivered to agents' screens today	yes	no	yes	no	yes	yes
Agents more reliant on intuition/experience	50-50	yes	no	yes	yes	50-50
Plans to deliver insight to agents' screens	n/a	yes	n/a	yes	n/a	n/a
Agent access to real-time monitoring	yes	no	yes	no	yes	yes

Table 16: Summary of technology use in inbound service encounters

Despite the extensive use of technology, all of the cases supported Jarrar and Neely's (2002, p. 295) caution that successful cross-selling is "not a technology issue.....it's about

having a well trained and motivated sales force, who can talk to the customer supported by a real-time (or as close as possible) information system, that is centred around individual customer profitability, to help staff understand all they need about the customer”.

Eichfeld et al (2006) warned companies that investing excessively in automated prompts could lead to mechanical sales pitches. Only one case (the AA) echoed this concern that insight prompts might distract agents from actually listening to customers. None of the other cases highlighted this as a concern.

Finally, critics of one-to-one marketing and mass customization claim that both are “examples of technological hype which is far beyond commercial reality” (Pitta, 1998, p. 471). This study adds weight to the argument that one-to-one marketing is indeed a commercial reality.

6.2. Market factors

Spencer-Matthews and Lawler (2006) identified two sets of market factors relating to customer contact management implementation: service requirements and organisational requirements. These were found to be broadly consistent with the market factors driving sales and service initiatives. Additional categories that emerged from this research are represented in red.

	Barclays	Healthcare	O2	RIAS	The AA	Utility
Service requirements						
Competitor activity	X	X	X	X		X
Non-price competition	X	X	X	X		X
Consumer demands	X	X	X	X		X
Regulation (marketing outbound)	X		X	X	X	
Organisational requirements						
Efficiency (maximise inbound opp)	X		X	X	X	
Knowledge (continually gather info/knowledge)	X				X	X
Duty of care (provide relevant offers)	X		X			
Customer development	X		X	X	X	X
Customer retention	X	X	X		X	X
Increase customer satisfaction/experience			X			X
Strengthen customer relationships	X		X	X	X	
Empower employees (service profit chain)	X		X			
Build customer loyalty		X	X	X		

Table 17: Market factors driving sales and service initiatives

‘Strengthen customer relationships and ‘build customer loyalty’ are listed separately (as opposed to being considered within ‘customer development’ and ‘customer loyalty’) as they were listed specifically by the companies concerned.

The above data could give rise to the following proposition:

P5: Companies that are more driven to improve the customer experience rather than increase revenue will create longer term value

6.3. Issues

Jarrar & Neely (2002) empirically identified six generic issues associated with a sales and service initiative. The following table illustrates how the cases experienced these issues (a tick indicates that this issue was experienced). Any additional categories are represented in red.

Generic issue	Barclays	Healthcare	O2	RIAS	The AA	Utility
Capacity plans/operations		√	√	√		√
Customer relationships	√	√	√	√	√	√
Staff compensation			√			
Staff training (will & skill)	√	√	√	√	√	√
Product redesign		√		√		
IT investment & integration	√	√	√	√	√	√
Customer profitability analysis/customer insight		√		√	√	√
Regulation						√

Table 18: Generic issues associated with a sales and service initiative

All of the cases expressed concern at the outset of their initiatives that customer relationships would be negatively impacted by a sales and service initiative. Often there were deep-rooted mind-sets within the organisation that cross-selling would annoy and /or overwhelm service customers and an expectation that attempts to chase a revenue target would lead to an increase in customer complaints and a decrease in customer satisfaction/customer experience scores. None of the firms in this study found that customer satisfaction had been negatively impacted by their sales and service initiatives. Indeed O2 reported an increase in customer satisfaction as a result of cross-selling and up-selling.

This could give rise to the following proposition:

P6: Customer satisfaction will increase when customers are offered additional products and services based on customer insight

All of the cases found that changing the will and skill of their customer service agents one of their greatest challenges and an area that required a substantial investment in training. Training was necessary in three areas: product knowledge, sales skills and behavioural training.

All of the cases acknowledged a substantial investment in IT, in order to generate insight and deliver it to agents' screens in an integrated way. However, most cases were not waiting until everything was integrated – they were moving ahead with whatever technology was available at the time.

An additional category of “regulation” was added to the above table. This reflects the issues of data protection and FSA legislation, which can make calls quite cumbersome and lengthy, making it harder to cross-sell/up-sell.

6.4. Agents in a combined sales and service role

There is a sparsity of literature examining the characteristics or competencies of agents who are successful in a combined sales and service role. The following table summarises the necessary qualities to be successful in this role, as identified by the participating companies. The qualities in black have been proposed by previous authors (Eichfeld et al., 2006; Pontes & Kelly, 2000; Beaujean et al., 2006; Beatty et al., 1996; Kennedy et al., 2002; Hartline & Ferrell, 1996; Heskett et al., 1994; Bitner et al., 1994). The qualities in red are additional qualities that have emerged from this research.

Quality	Barclays	Healthcare	O2	RIAS	The AA	Utility
Competence (will & skill)	√		√	√	√	
Self confidence			√	√	√	√
Concern for customer/doing right thing	√	√	√	√		√
Confidence in products		√	√		√	
Confidence in data & processes	√		√			√
Confidence that issues will be heard & resolved					√	√
Exhibit empathy & understanding	√		√	√		
Feeling of control/empowerment		√	√	√		√
Awareness of business & strategic context			√		√	√
Regular feedback on performance	√		√			√
Ability to achieve balanced scorecard	√			√	√	√
Adaptability			√			√
Affinity with customers/similar profile	√			√		

Table 19: Qualities of agents successful in a combined sales and service role

The above data could give rise to the following propositions:

P7: The most important quality for a successful sales and service agent is a genuine concern for the customer/a belief that they are ‘doing the right thing’

P8: Successful sales and service agents achieve a balanced scorecard of quality, quantity and revenue

6.5. Measuring sales and service performance

According to Jarrar and Neely (2002), there is little concrete evidence of measures or costs relating to cross-selling and most of the literature only provides anecdotal experience. The following table (Table 20: Measures of sales and service performance) summarises the cases’ approach to measurement:

Measure	Barclays	Healthcare	O2	RIAS	The AA	Utility
Measure first call resolution?	no	no	no	no	no	yes
Monetary incentives for cross-selling?	yes	no	yes	yes	yes	yes
Customer satisfaction included in balanced scorecard?	Yes	Yes	Yes	Yes	yes	Yes
Productivity (AHT/adherence to schedule) included in balanced scorecard?	Yes	Yes	Yes	Yes	yes	Yes
Sales performance included in balanced scorecard?	yes	no	end '07/'08	yes	yes	yes
Measure reference to customer insight?	yes	no	yes	no	no	no
Measure # of customers saved?	no	yes	yes	yes	yes	yes
Measure average cost of saving customer?	no	no	yes	no	yes	no
Measure # of offers made & accepted?	yes	no	yes	yes	yes	no
Measure # of offers made & not accepted?	yes	no	yes	no	yes	no
Measure # of conversions (sales or hand-offs)?	yes	partially	yes	yes	yes	yes
Measure overall impact on revenue?	yes - n/a	no	yes	yes - n/a	yes	no
Measure average revenue per call?	no	no	no	yes	yes	partially
Measure contribution to overall or individual profitability?	no	no	yes	no	yes	no
Data collection	yes	no	no	no	yes	yes
Average up-sell/cross-sell ratio?	1 in 10	n/a	1 in 9	1 in 12	1 in 50 1 in 20	1 in 33 1 in 8
Up-sales/cross-sales per 100 calls	10	n/a	11	8.5	2 5	3 12

Table 20: Measures of sales and service performance

Eichfeld et al (2006) found that although monetary incentives acted as strong motivators for cross-selling, there was no correlation between cross-selling performance and the way that incentive plans were structured. All cases except for HEALTHCARE offered monetary incentives to reward cross-sales/up-sales behaviours (rather than performance). Such behaviours included reference to customer insight during calls, making offers to customers, passing leads to sales teams or actually closing the sale. All cases except for HEALTHCARE and O2 measured sales performance as part of a balanced scorecard. This was a deliberate strategy on behalf of O2 – first it wanted agents to get comfortable with referring to the VISION system to check for offers. Then it began to reward agents for the number of times they made offers to customers based on the recommendations of the VISION system. By the end of 2007/2008 it will begin to introduce measures that reward conversions of offers to sales (these are currently measured but not rewarded). As O2 achieved the highest up-sell/cross-sell ratio, this would appear to support Eichfeld et al's finding that there is no correlation between cross-selling performance and monetary incentives.

The following proposition could be tested in further research:

P9: There is no correlation between monetary incentives and cross-sell/up-sell performance

Schneider et al (1998) conclude that service and sales must be complementary not contradictory and that firms should aim for a balanced scorecard. All of the cases (except

for HEALTHCARE) had a balanced scorecard of customer satisfaction/call quality, productivity and cross-sell/up-sell behaviours/performance.

Previous research (Jarrar & Neely, 2002) revealed that US banks predominantly measure cross-sell campaigns based on the number of cross-sells. This research revealed that two firms (Barclays and O2) measured reference to customer insight, four firms (Barclays, O2, RIAS, the AA) measured the number of offers made and accepted, three firms (Barclays, O2, the AA) measured the number of offers made but *not* accepted and all firms measured the number of sales conversions or hand-offs to sales (albeit HEALTHCARE incompletely).

Jarrar and Neely (2002) found that more than three quarters of US banks in their survey did not measure cross-sell effectiveness in terms of contribution to overall profitability or to individual profitability. In this study, four firms (Barclays, O2, RIAS, the AA) measured the overall impact on revenue, although only the AA was willing to provide revenue numbers. Only RIAS, UTILITY and the AA measured average revenue per call and only O2 and the AA were able to measure contribution to overall or individual profitability.

Eichfeld et al (2006) proposed that most bank call centres with high levels of service quality could achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiatives. Each of the companies in this study were achieving or exceeding this ratio in at least one product area.

The following proposition could be tested in future research:

P10: It is possible for companies with high levels of service quality to achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiative

7. Summary and implications

7.1. Summary

This project aimed to build on previous Henley research by concentrating on one aspect of the customer insight framework, namely how customer insight is being actioned through the customer service function.

The purpose of this project therefore was to investigate how six large UK-based companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. Following the identification of several gaps in the literature, I was specifically looking for answers to the following questions:

RQ1: What factors are driving companies to invest in inbound sales and service initiatives?

RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?

RQ3: What issues are associated with sales and service initiatives?

RQ4: What are the qualities of a successful sales and service agent?

RQ5: What metrics are companies using to measure the success of their sales and service initiatives?

The study provided evidence of a variety of approaches to up-selling, cross-selling and retention in inbound service call centres. The data was collated to generate tables in the following areas:

- Summary of technology use in inbound service encounters (Table 16)
- Market factors driving sales and service initiatives (Table 17)
- Generic issues associated with a sales and service initiative (Table 18)
- Qualities of agents successful in a combined sales and service role (Table 19)
- Measures of sales and service performance (Table 20)

7.2. Implications for practitioners

This study has several important implications for practitioners:

1. There is more than one approach to sales and service initiatives. Some firms choose to train sales agents to deal with service enquiries, some train service agents to close additional sales and some firms train service agents to spot opportunities and pass them over to a sales team. As yet, no one approach has been proven to be the most successful.

2. Despite the evidence of previous academic research, it appears that there is not always a trade-off between up-selling/cross-selling in a service environment and average handling time. The firms in this study reported a bell curve effect, where AHT increased initially, but levelled out or even dropped once the agents were comfortable with new technology and processes. This was because the customer insight enabled the agents to have a more relevant, productive dialogue.
3. Excellent customer service is a pre-requisite for any successful sales and service initiative. Agents must first deal competently with the service enquiry before they earn the right to explore customer needs with a view to cross-selling/up-selling.
4. Increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) are contributing to growing support for firms to use the inbound service channel for differentiation and competitive advantage. According to Gartner Group(2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing.
5. The growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important. Typically, front-line service staff is often reluctant to engage in activities or conversations that constitute “selling”. Therefore it is important for agents to understand the business and strategic context of why they are being asked to cross-sell and up-sell. One of the most important qualities of a successful sales and service agents was having a genuine concern for customers and a sense of ‘doing the right thing’.

8. Bibliography

1. Ansell, J., Harrison, T., & Archibald, T. 2007. Identifying cross-selling opportunities, using lifestyle segmentation and survival analysis. ***Marketing Intelligence & Planning***, 25(4): 394-410.
2. Beatty, S. E., Mayer, M., Coleman, J. E., Reynolds, K. E., & Lee, J. 1996. Customer-sales associate retail relationships. ***Journal of Retailing***, 72(3): 223-247.
3. Beaujean, M., Davidson, J., & Madge, S. 2006. The 'moment of truth' in customer service. ***McKinsey Quarterly***, (1): 62-73.
4. Bendapudi, N., & Berry, L. L. 1997. Customers' motivations for maintaining relationships with service providers. ***Journal of Retailing***, 73(1): 15-37.
5. Bettencourt, L. A., & Gwinner, K. 1996 . Customization of the service experience: the role of the frontline employee. ***International Journal of Service Industry Management***, 7(2)
6. Bitner, M. J., Booms, B. H., & Mohr, L. A. 1994. Critical service encounters: The employee's viewpoint. ***Journal of Marketing***, 58(4): 95.
7. Bitner, M. J., Brown, S. W., & Meuter, M. L. 2000. Technology infusion in service encounters. ***Journal of the Academy of Marketing Science***, 28(1): 138-149.
8. Bolton, R. N., & Drew, J. H. 1991. A Multistage Model of Customers' Assessments of Service Quality and Value. ***Journal of Consumer Research***, 17(4): 375.
9. Bonoma, T. V. 1985. Case Research in Marketing: Opportunities, Problems, and a Process. ***Journal of Marketing Research (JMR)***, 22(2): 199-208.
10. Boulding, W., Staelin, R., Ehret, M., & Johnston, W. J. 2005. A Customer Relationship Management Roadmap: What Is Known, Potential Pitfalls, and Where to Go. ***Journal of Marketing***, 69(4): 155-166.
11. Bowen, D. E., & Lawler, E. E. I. 1995. Empowering Service Employees. ***Sloan Management Review***, 36(4): 73.
12. Byers, R. E., & So, K. C. 2007. A Mathematical Model for Evaluating Cross-Sales Policies in Telephone Service Centers. ***Manufacturing & Service Operations Management***, 9(1): 1.
13. Carson, D., & Coviello, N. 1996. Qualitative research issues at the marketing/ entrepreneurship interface. ***Marketing Intelligence & Planning***, 14(6): 51-58.
14. Chase, R. B., & Hayes, R. H. 1991. Beefing Up Operations in Service Firms. ***Sloan Management Review***, 33(1): 15.
15. Churchill Jr., G. A., Ford, N. M., & Walker Jr., O. C. 1974. Measuring the Job Satisfaction of Industrial Salesmen. ***Journal of Marketing Research (JMR)***, 11(3): 254-260.

16. Davis, F. D., Bagozzi, R. P., & Warshaw, P. R. 1989. User acceptance of computer technology: a comparison of two theoretical models. *Management Science*, 35(8): 982-1003.
17. Day, G. S. 2000. Managing market relationships. *Journal of the Academy of Marketing Science*, 28(1): 24-30.
18. Day, G. S., & Montgomery, D. B. 1999. Charting New Directions for Marketing. *Journal of Marketing*, 63(4): 3-13.
19. Doyle, S. 2005. Real-time technologies in marketing -- Interaction management. *Journal of Database Marketing & Customer Strategy Management*, 12(3): 272-278.
20. Drennan, J., & McColl-Kennedy, J. R. 2003. The relationship between Internet use and perceived performance in retail and professional service firms. *Journal of Services Marketing*, 17(3): 295.
21. Eichfeld, A., Morse, T. D., & Scott, K. W. 2006. **Using call centers to boost revenue.** http://www.mckinseyquarterly.com/article_abstract.aspx?ar=1781&L2=1 (accessed 2007).
22. Evans, K. R., Arnold, T. J., & Grant, J. A. 1999. Combining Service and Sales at the Point of Customer Contact: A Retail Banking Example. *Journal of Service Research*, 2(1): 34-49.
23. Evans, M. 2002. Prevention is better than cure: Redoubling the focus on customer retention. *Journal of Financial Services Marketing*, 7(2): 186.
24. Farrell, A. M., Souchon, A. L., & Durden, G. R. 2001. Service Encounter Conceptualisation: Employees' Service Behaviours and Customers' Service Quality Perceptions. *Journal of Marketing Management*, 17(5/6): 577.
25. Fisk, R. P., Brown, S. W., & Bitner, M. J. 1993. Tracking the Evolution of Services Marketing Literature. *Journal of Retailing*, 69(1): 61.
26. Froehle, C. M., & Roth, A. V. 2004. New measurement scales for evaluating perceptions of the technology-mediated customer service experience. *Journal of Operations Management*, 22(1): 1-21.
27. Gill, J., & Johnson, P. 1991. *Research Methods for Managers*. London: Chapman.
28. Gilmore, A., & Carson, D. 1996. "Integrative" qualitative methods in a services context. *Marketing Intelligence & Planning*, 14(6): 21.
29. Gilmore, J. H., & Pine, B. J. I. 1997. The four faces of mass customization. *Harvard Business Review*, 75(1): 91.
30. Gwinner, K. P., Bitner, M. J., Brown, S. W., & Kumar, A. 2005. Service Customization Through Employee Adaptiveness. *Journal of Service Research : JSR*, 8(2): 131-148.
31. Harrison, A. 2002. Case Study Research. In David Partington (Editor.), *Essential Skills for Management Research*: 158-180. London, UK: SAGE Publications Ltd.
32. Hartline, M. D. , & Ferrell, O. C. 1996. The Management of Customer-Contact Service Employees: An Empirical Investigation. *Journal of Marketing*, 60(4): 52-70.

33. Herschel, G. (Gartner Group) 2006. **Improving Offer Response with Intelligent Inbound Micro-Direct Marketing** . <http://www.marketingpower.com/webcast261.php> (accessed 2006).
34. Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser Jr., W. E., & Schlesinger, L. A. 1994. Putting the Service-Profit Chain to Work. **Harvard Business Review**, 72(2): 164-170.
35. Hirschowitz, A. 2001. Closing the CRM loop: The 21st century marketer's challenge: Transforming customer insight into customer value. **Journal of Targeting, Measurement & Analysis for Marketing**, 10(2):168-179
36. Jarrar, Y. F., & Neely, A. 2002. Cross-selling in the financial sector: Customer profitability is key. **Journal of Targeting, Measurement and Analysis for Marketing**, 10(3): 282.
37. Jayawardhena, C., Souchon, A. L., Farrell, A. M., & Glanville, K. 2007. Outcomes of service encounter quality in a business-to-business context. **Industrial Marketing Management**, 36(5): 575-588.
38. Kale, & Sudhir H 2004. CRM Failure and the Seven Deadly Sins. **Marketing Management**, 13(5): 42-47.
39. Kamakura, W. A. , Wedel, W., de Rosa, F., & Mazzon, J. A. 2003. Cross-selling through database marketing: a mixed data factor analyzer for data augmentation and prediction. **International Journal of Research In Marketing**, 20(1): 45-65.
40. Kelley, S. W. 1993. Discretion and the Service Employee. **Journal of Retailing**, 69(1): 104.
41. Kennedy, K. N., Lassk, F. G., & Goolsby, J. R. 2002. Customer mind-set of employees throughout the organisation. **Journal of the Academy of Marketing Science**, 30(2): 159-71.
42. Maister, D. H. 1997. **True professionalism: the courage to care about your people, your clients and your career**. New York: Free press.
43. Miles, M., & Huberman A 1994. **Qualitative Data Analysis: An Expanded Sourcebook** (2nd ed.). Thousand Oaks, C.A: Sage.
44. Mittal, V., & Kamakura, W. A. 2001. Satisfaction, Repurchase Intent, and Repurchase Behavior: Investigating the Moderating Effect of Customer Characteristics. **Journal of Marketing Research (JMR)**, 38(1): 131-142.
45. Moorman, C., & Rust, R. T. 1999. The role of marketing. **Journal of Marketing**, 63(4): 180-197.
46. Ngobo, P. V. 2004. Drivers of customers' cross-buying intentions. **European Journal of Marketing**, 38(9/10): 1129-1157.
47. Oliver, R. W., Rust, R. T., & Varki, S. 1998. Real-Time Marketing. **Marketing Management**, 7(4): 28-37.
48. Parasuraman, A. 1996. **Understanding and leveraging the role of customer service in external, interactive, and internal marketing**. Paper presented at the Frontiers in Services Conference, Nashville, TN.

49. Patton, M. 1990. **Qualitative Evaluation and Research Methods**. Newbury Park, CA: Sage.
50. Peppard, J. 2000. Customer Relationship Management (CRM) in financial services. **European Management Journal**, 18(3): 312-327.
51. Peppers, D., & Rogers, M. 1993. **The one to one future**. London: Piatkus.
52. Peppers, D., Rogers, M., & Dorf, B. 1999. Is your company ready for one-to-one marketing? **Harvard Business Review**, 77(1): 151-160.
53. Pine II, B. J. 2004. Mass customization: the new imperative. **Strategic Direction**, 20(1): 2.
54. Pine II, B. J., Peppers, D., & Rogers, M. 1995. Do You Want to Keep Your Customers Forever? **Harvard Business Review**, 73(2): 103.
55. Pine, J. 1993. **Mass Customization**. Boston: Harvard Business School Press.
56. Pitta, D. A. 1998. Marketing one-to-one and its dependence on knowledge discovery in databases. **Journal of Consumer Marketing**, 15(5): 468-480.
57. Pontes, M. C. F., & Kelly, C. O. 2000. The identification of inbound call center agents' competencies that are related to callers' repurchase intentions. **Journal of interactive marketing**, 14(3): 41-49.
58. Prinzie, A., & Van den Poel, D. 2006. Investigating purchasing-sequence patterns for financial services using Markov, MTD and MTDg models. **European Journal of Operational Research**, 170(3): 710-734.
59. Quinn, J. B. 1996. The productivity paradox is false: information technology improves service performance. In T. Swartz, D. E. Bowen, & S. W. Brown **Advances in services marketing and management** (5 ed.): 71-84. Greenwich, CT: JAI.
60. Reichheld, F., & Sasser Jr, W. E. 1990. Zero Defections: Quality Comes to Services. **Harvard Business Review**, 68: 105-111.
61. Rhoads, G. K., Singh, J., & Goodell, P. W. 1994. The Multiple Dimensions of Role Ambiguity and Their Impact Upon Psychological and Behavioral Outcomes of Industrial Salespeople. **Journal of Personal Selling & Sales Management**, 14(3): 1-24.
62. Ryals, L., & Payne, A. 2001. Customer relationship management in financial services: towards information-enabled relationship marketing. **Journal of Strategic Marketing**, 9(1): p3-28.
63. Schneider, B., & Bowen, D. E. 1995. **Winning the service game**. Boston: Harvard Business School Press.
64. Schneider, B., & Bowen, D. E. 1999. Understanding Customer Delight and Outrage. **MIT Sloan Management Review**, 41(1): 35-45.
65. Schneider, B., White, S. S., & Paul, M. C. 1998. Linking Service Climate and Customer Perceptions of Service Quality: Test of a Causal Model. **Journal of Applied Psychology**, 83(2): 150-163.
66. Singh, J. 1993. Boundary role ambiguity: Facets, determinants, and impacts. **Journal of Marketing**, 57(2): 11.

67. Smith, B., Wilson, H., & Clark, M. 2006. Creating and using customer insight: 12 rules of best practice. *Journal of Medical Marketing*, 6(2): 135-139.
68. Spencer-Matthews, S., & Lawley, M. 2006. Improving customer service: issues in customer contact management. *European Journal of Marketing*, 40(1/2): 218-232.
69. Stewart, K. 1998. An exploration of customer exit in retail banking. *International Journal of Bank Marketing*, 16(1): 6.
70. Stone, M., & Woodcock, N. 2001. Defining CRM and assessing its quality. In B. Foss, & M. Stone *Successful Customer Relationship Marketing*: 3-20. London: Kogan Page.
71. Sundaram, S., Schwarz, A., Jones, E., & Chin, W. W. 2007. Technology use on the front line: how information technology enhances individual performance. *Journal of the Academy of Marketing Science*, 35(1): 101-112.
72. Verhoef, P. C., Franses, P. H., & Hoekstra, J. C. 2001. The impact of satisfaction and payment equity on cross-buying: A dynamic model for a multi-service provider. *Journal of Retailing*, 77(3): 359-378.
73. Wills, S., & Williams, P. 2004. Insight as a strategic asset - the opportunity and the stark reality. *International Journal of Market Research*, 46: 393-410.
74. Winsted, K. F. 2000. Service behaviors that lead to satisfied customers. *European Journal of Marketing*, 34(3/4): 399.
75. Wright, L. T. 1996. Exploring the in-depth interview as a qualitative research technique with American and Japanese firms. *Marketing Intelligence & Planning*, 14(6): 59.
76. Yin, R. K. 1994. *Case study research: design and methods* (2nd ed.). Thousand Oaks, CA.: Sage.
77. Yu, L. 2001. Successful customer relationship management. *MIT Sloan Management Review*, 42(4): 18-19.
78. Zablah, A. R., Bellenger, D. N., & Johnston, W. J. 2004. An evaluation of divergent perspectives on customer relationship management: Towards a common understanding of an emerging phenomenon. *Industrial Marketing Management*, 33(6): 475.
79. Zeithaml, V. A, Berry, L. L., & Parasuraman, A. 1988. Communication and Control Processes in the Delivery of Service Quality. *Journal of Marketing*, 52(2): 35.
80. Zeithaml, V. A, Berry, L. L., & Parasuraman, A. 1996. The behavioral consequences of service quality. *Journal of Marketing*, 60(2): 31.

How companies use customer insight in inbound service call centres to drive cross-selling, up-selling and retention



The Henley Centre for Customer Management

The Primary Objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

Members

Each year, the Centre aims to attract a membership of between 10 and 20 organisations, each a leader in their sector.

Members in 2007 were:-

Vertex (Main Sponsor)
Bausch & Lomb
Bentley Motors
BP
Bromford Housing Group
Capgemini
Cognizant Technology Solutions
Daimler Chrysler Financial Services
Ecclesiastical Insurance
Electrolux
Kelly Services
Legal & General
NSPCC
Virgin Mobile.

Centre Contacts:		
Director	Assistant Director	Customer Relationship Executive
Professor Moira Clark	Tony Harrington	Anne Tabbner
Tel: 01491 571494	Tel: 07815 938534	Tel: 01491 418710
Moira.Clark@henley.reading.ac.uk	Tony.Harrington@henley.reading.ac.uk	Anne.Tabbner@henley.reading.ac.uk
Henley Business School, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU		



The Henley Centre for Customer Management is supported by members representing a diverse range of organisations.

Vertex, an international business process outsourcer specialising in customer management, was our main sponsor for the 2007 programme.

