



Real People. Real Solutions.

White Paper

The Science of Service

*A Common Sense Approach to
Building Customer Loyalty*

USA 1.800.867.9537
Intl. +1.813.274.1000

Sykes Enterprises, Incorporated
400 North Ashley Drive
Suite 2800
Tampa, Florida 33602-5089

www.sykes.com

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Introduction

Understanding that each customer service exchange plays an integral role in the customer's perception of the quality of the overall customer-provider relationship is crucial to fostering brand loyalty and maximizing customer retention. Applying that knowledge into a highly-disciplined, scientific-like practice is the decisive factor in determining which providers will enjoy the increasing revenue of existing customers and which providers will continue to spend hand over fist to gain new customers ... only to lose them in the end to the better service provider.

The obstacle that service providers face in the adoption of customer retention strategies is one of mindset. Traditional marketing teaches that more is always better and that every corporate dollar should be engaged in the singular pursuit of growing the customer base – usually through advertising. In the past century, this practice ideology was sound enough and has proved most successful for the chosen few. But that was then and this is now.

The 21st Century marketplace is a landscape of once impossible product-service offerings. And with this increase in goods and services came the inevitable and exponential growth of companies ready to provide them. Consequently, what we have today is a certain case of provider proliferation. Companies that want to succeed in this extremely competitive climate will have to adapt by adopting the strategy of “anything you can do, I can do better.”

The intent of this white paper is to explore how customer service, when applied with a disciplined and scientific-like methodology, can be a powerful differentiator that sets you ahead of the pack. Applied consistently and keeping the customer at the forefront, providers can leverage their service offerings to secure the brand loyalty needed to maximize the profitability of each customer. Adopting service as a science is both evolutionary and revolutionary. And it's a revolution your customers want.

Newer Is Not Always Better

No business can survive without customers, yet there is considerable evidence that many companies are cavalier in their relationship with the people who pay their wages – preferring instead to pursue the

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new challenge of customer prospects. In a UK survey, one in five small firms admitted losing customers due to poor service.

A quarter of them said they had missed or forgotten important appointments and 10 percent revealed they even avoided customer calls.¹ A study in America found 65 of the top 100 US companies did not meet the standards of service expected by online customers.² In other research, 46 percent of US consumers said poor service had driven them to cancel a credit card.³ Clearly, defections occur when people feel poorly treated.

Treating existing customers with indifference, even perceived indifference can be costly. Substandard customer service, or when providers simply don't get it right the first time, can end up as costly mistakes no company can afford to make. In fact, according to one Forrester Research study, follow-up customer service inquiries can cost up to nearly \$35 per call.⁴ That's an easily avoidable expense.

If undertaken with diligence and dedication, providing even minor, incremental service improvements to existing customers can be incredibly advantageous to your business. In fact, customer relationship studies show that a mere five percent increase in customer retention could result in as much as an 80 percent increase in profit.⁵ And if that's not convincing enough – on the flipside of the coin – other research indicates that it can cost up to six times more to gain a new customer than it does to maintain an existing one. The evidence is telling. So, why do many service providers continue to allocate the lion's share of their monetary, creative and intellectual assets to the procurement of new customers, rather than dedicating a much smaller percentage of those assets to improve service to existing customers they stand to increasingly profit from?

We Just Don't Communicate Anymore

Up until the last 10 years, traditional marketing has been governed by the principle of new customer acquisition at all costs. This type of transactional marketing requires less short-term effort on the part of the provider. Unfortunately relying on transactional marketing to grow business is at best, ignoring the obvious, and at most – futility. With the onset of provider proliferation we've also seen a quiet but marked paradigm shift from transactional to relationship marketing.

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In the outdated transactional marketing model, providers are from Mars and customers are from Venus. With the emergence of relationship marketing, however, the provider learns to understand and even speak the language of the customer.

In a sense, the provider becomes a customer advocate - recognizing the economic value of stable, long-term customer relationships based on a high-degree of customer satisfaction and loyalty. One thing is for certain: Relationship marketing is here to stay.

Still many service providers continue to struggle to come to grips with this new world order in the marketplace. A well-known case-in-point occurs everyday throughout the cellular phone industry. How many times have we heard tales of customers switching cellular providers at the end of a contract period simply because they weren't eligible to receive the same good deals being offered to new customers? This self-defeating marketing strategy ignores one of the basic tenets of good service: customers need to feel valued. In this case, provider recalcitrance may be the result of an explosively growing industry's present inability to match service with high demand.

But regardless of why it happens, the message such indifference sends to the customer about the value of the relationships is clear, "The thrill is gone!" And more often than not, this out with the old, in with the new service ethic is greeted with an understandably reciprocal customer response: Click.

Look the Gift Horse in the Mouth

The consensus among customer research experts is definitive. How skillfully a business is able to manage and implement service delivery is directly correlated to the retention levels of the existing customer base, as well as also having a significant impact on a providers ability to successfully acquire new customers.⁶ Overall customer satisfaction is based on how well an institution meets and exceeds a customer's expectations in every interaction. So to increase loyalty, providers have to become more responsive and nurturing to the of the tenuous nature of the customer relationship.

Your existing customer base is your life bread and certainly not to be handled as "a given." On the contrary, as your customers are your

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most valuable assets, it is essential that you practice the contextual and relationship-building service that enables you to build value in the minds of the customer as you maximize the profitability of each.⁷ To effectively serve a customer according to his or her context you'll have to take full advantage of available analytics to understand the customer's current phase in life.

When I've had an enjoyable meal at a restaurant, I'll rave about it to friends; I'll often take them there myself. But my satisfaction relies on the experience being good at each and every visit and that depends on the judgment and particularly the timing of the maitre d' and the waiters. I like to see the menu straightaway, but I don't want to be rushed to order. The courses must never be hurried, but any delay when I ask for the bill will annoy me. This is my context.

Who are your customers? What is their context? Are they new parents, retirees, tech savvy teens or nature loving baby boomers? Wherever they are, so should you be. Your customer base is your gift horse. Look it in the mouth to develop sound strategies for cross-selling, up-selling - and most importantly to serve according to its most pressing needs today. This responsiveness will go a long way to building the type of satisfaction that leads to loyalty.

The Slow, But Steady Evolution

Forward-looking firms are inciting the new service revolution by seeking out way to appeal directly to their existing customers – engendering feelings of satisfaction and loyalty. The five-star Dorchester hotel on London's Park Lane has invented the concept of e-butlers, room-service technical support staff that helps guests with the hotel's business and entertainment technology. Mercedes Benz in Australia is to launch facilities at the airports in Melbourne and Sydney where luxury car owners who travel frequently can have their pride and joy serviced while they are away, instead of being left in a car park.

A recent BASF campaign advertises, “We don't make the products you use, we make the products you use better.” In this message, BASF has used the concept of “improvement” as competitive differentiator, as well as a statement of customer value. BASF obviously gets the paradigm shift from transactional to relationship marketing:

Who are your customers?

What is their context?

Wherever they are, so should you be.

Customers aren't necessarily seeking more offerings – they're seeking better offerings.

Automatic ticketing kiosks are becoming a mainstay in the airline industry. Expedited check-in capability in an industry riddled with long delays, security threats and customer stress, ticketing kiosks are not surprisingly well-received. I certainly appreciate and take full advantage of the technology. But then again, that's me. Using technology-based services is a part of my individual context as a consumer. But during my most recent trip to the airport, I encountered a totally different story.

Standing at the end of an incredibly long line in front of a ticketing counter, I saw that there were at least six self-ticketing kiosks available – yet not a soul taking advantage of them. Not one to wait longer than necessarily, I approached a beleaguered employee and asked, “Are your kiosks down?” Her response stunned me. It turns out that all of the kiosks were working perfectly, but that the passengers, many of them elderly (and dressed for vacation in the tropics), didn't know how to use them ... and were afraid to even try.

That's Great! So ... What is it?

I took advantage of the kiosk check-in and assisted a few daring couples that opted to follow my lead. Heading toward my gate, I was struck with the adage: Technology is only as good as your ability to use it. In this case, the airline had the opportunity to provide better service to its non-tech savvy customers by having service agents out on the floor to encourage, and assist the passengers with using this newer technology. It was clear that customer interest in the kiosks was high, but the airline's ability to provide contextual service was not.

Whether fully realized or still evolving, all of these examples of inspired innovation were set in motion by the drive to better serve. This dedicated commitment to the customer is the essential first step to implementing an effective customer inspired enhancements to your future service strategies. Certainly, there is no one-size-fits-all approach to customer satisfaction, but the first step is to appreciate that customers go elsewhere when you don't satisfy them. What's left is to ask yourself, “Is my company reaching its potential to deliver customer inspired service?”

Goodbye!

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Experts in customer service commonly identify three goals every provider should adopt to ensure its business is relationship, rather than transactional, in nature. Where does your business stand on ...

1. **Customer retention**

Are you successful at acquiring and keeping customers?

2. **Product-service innovation**

Do you provide the products-services consumers actually want?

3. **Customer fulfillment**

How well do you deliver to and service your customers?

Customer Service Demystified

My own company believes the ability to deliver timely, quality customer care is a crucial factor in retaining customers. We extend value to our clients by providing customized solutions that enable them to stay on top of changing customer dynamics, while remaining scalable enough to be used around the world. After 30 years of research, trial-and-error, and good old fashioned elbow grease - we've compiled a body of knowledge and testing procedures to respond to our clients' needs with know-how and enthusiasm. Regular monitoring and assessment of our clients' shifting context enables us to continuously meet them where they are with useful, relevant technology and service.

The "nucleus" of our service methodology is an evolving, discipline-based approach to better customer care. We call it the Science of Service (see Figure 1.). The Science of Service initiative is more than just a philosophy, it is a meticulously planned service regimen. Implemented by expert service teams, each dedicated to a specific area of service, our Science of Service strategy aims to make our clients' businesses more efficient and profitable – while positioning them to achieve higher loyalty from their own customer bases.

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Figure 1. Science of Service Applications



Service Really is Everything

The Science of Service approach to customer care is based on thorough marketing analytics, research and ongoing assessment of customer feedback. The impetus behind it is my company's driving ambition to increase our clients' profitability by enabling them to deliver satisfying customer exchanges while lowering operational costs. And it works.

Here's a recent case-in-point: A client of ours, a recognized leader in handheld devices, wanted to improve customer loyalty by providing a higher-quality of customer support at lower cost. After a thorough assessment, we deployed new in-house processes to enhance the customer experience and created a knowledge base to provide timely executive-level awareness of customer dissatisfaction. We also routed customer contacts through our email support center in the Philippines, providing cost-savings of 60 to 70 percent over the client's existing model.

In another example, we were called upon to address an average handle time (AHT) significantly higher than expected on a new account. The client, a global provider of smartphones, supported an established retail and small business market with developing opportunities in the enterprise space. To start, we actively listened in

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on hundreds of calls to analyze call flow efficiency, effectiveness of the agent script and the overall customer experience.

We soon found that customers who purchased these more complex, high-end devices were generally repeat customers with an overall higher lifetime value. On the other hand, this group also ranked lowest in customer satisfaction scores. From these findings, action plans were developed to efficiently funnel service calls for the more complex devices to agents with expertise in their use. The result was higher customer satisfaction scores from high-value customers. This was a major coup in satisfying and securing the loyalty of the most profitable customer segment.

The smartphone vendor project began with what seemed a relatively straightforward AHT issue, but ended with the unveiling of multiple issues in customer satisfaction, workforce management and IVR (interactive voice response) design. In the end, we identified opportunities to make operational and process improvements with a potential cost-savings of 25-35 percent per call.

Conclusion

These days there's likely to be many other providers clamoring to sell the same products and services your business provides. If your current service model is based on transactional rather than relationship strategy, it's time to reconsider. Ultimately, in customer retention, what separates the wheat from the chaff is the ability to deliver better service than your competitors. Today's customer wields all the power.

To stand out from the throng, you'll need to focus on developing retention strategies that are SMART:

- Specific
- Measurable
- Attainable
- Relevant
- Time sensitive

There is no magic bullet for achieving higher customer loyalty, but applying a scientific methodology to your marketing strategies will go a long way in preparing you to become more responsive to your

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customers' context. In the very least, studies show reducing service problems by just one percent could generate \$30 million more in profits for a medium-sized company over five years.⁸ Better service is a can't lose proposition. But it's not for the faint-of-heart...

Achieving success from your customer retention efforts takes discipline, consistency and most importantly – a willingness to change. The SYKES Science of Service is a revolution your customers are ready for. Are you?

About the Author

Daniel L. Hernandez, senior Vice President, Global Strategies of SYKES Enterprises Inc. since October 2003, had previously served in leadership roles for several premier communications companies. Mr. Hernandez oversees marketing, operational standards, strategy, corporate communications and corporate development across SYKES' worldwide markets. He is a nationally sought out speaker who has presented on leadership, motivation, service innovation and negotiation skills.

About Us

Sykes Enterprises, Incorporated is a family of global companies delivering business process outsourcing services. The SYKES brand represents the benchmark in customer service. The top companies in the world rely on SYKES to care for their most valued resource – their customers. Headquartered in Tampa, Florida, we operate over forty customer interaction and fulfillment centers throughout North America, Europe, Latin America, Asia and Africa.

To learn more, visit us at www.sykes.com.

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Reference Notes:

1. Citation: YouGov. Found in *European CEO Magazine*, Article: Keeping Your Customers Isn't Magic – It's Science
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