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50 Years of Growth, Innovation and Leadership

Customer Intelligence is the New Black:

Deriving Actionable Insights from Customer Interactions to Reduce
Cost-to-Serve and Customer Effort

In Association with 
firstsource[®]

A Frost & Sullivan
White Paper

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INTRODUCTION AND PURPOSE

Whether it's a B-to-B or a B-to-C model, the consistent delivery of high-quality customer care is a difficult goal to achieve. This is especially relevant in our device-driven world, an "always on" hyper-connected environment laced with multiple customer touch points. A superior customer experience enabled by actionable insights is often the holy grail of business for the modern-day enterprise. This white paper unravels why Customer Intelligence is the New Black, by addressing the following key questions:

- What's new in customer intelligence?
- Why is voice of the customer (VOC) becoming increasingly important to the enterprise?
- What can customer intelligence really do?
- How can customer intelligence reduce cost-to-serve and customer effort?

Contact centers represent the "tip of the spear" in global customer interactions. With the latest customer intelligence tools, organizations can:

- Better respond to customer needs and demands
- Fully understand customer sentiments and emotions
- Detect changes in customer behavior across channels
- Enhance the customer relationship and create brand ambassadors
- Integrate seamlessly with modern workforce optimization tools to drive information to the right people at the right time
- Help organizations increase revenues, reduce costs and enhance the customer experience

This paper also contains Frost & Sullivan's most recent contact center research and trend data coverage. It includes enterprise considerations for complete customer experience management and discusses the importance of customer sentiment analysis.

INDUSTRY TRENDS

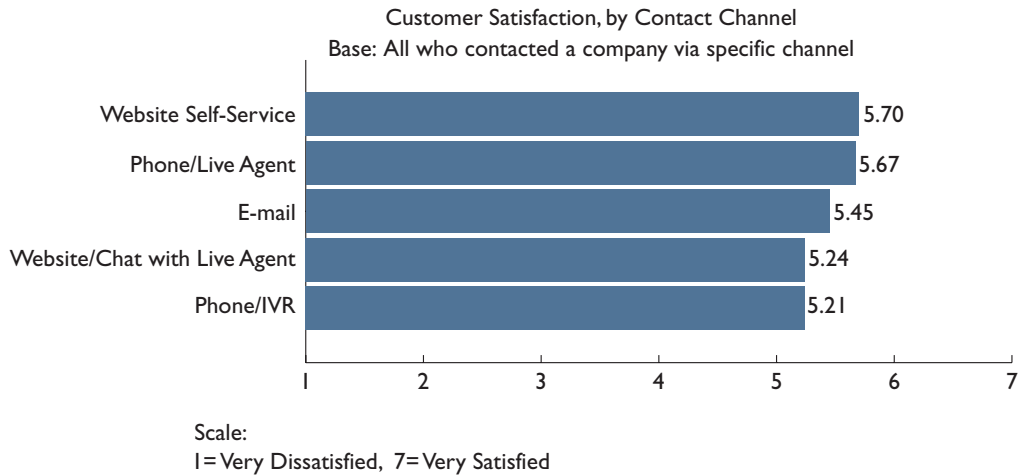
In the vast din of everyday interactions with customers via phone, email, self-service, chat and social media, there are huge opportunities to dramatically reduce costs and enhance customer satisfaction. Listed below are a number of important 2013 trends that Frost & Sullivan is witnessing in the contact center market:

- There is less focus on cost; *Quality* has become the competitive differentiator
- Customer satisfaction, retention and loyalty are back as top priorities

- Key to success is the delivery of a consistent customer experience across channels and industry verticals
- High client demand for easy-to-use social media solutions
- The increasing use of customer intelligence in the enterprise
- A focus on reducing cost-to-serve and customer effort across customer interactions on a global scale

Exhibit I.0 shows the relative level of customer satisfaction by contact channel. Overall, the most popular contact channels (website self-service, phone/live agent, and email) receive the highest satisfaction ratings.

Exhibit I.0
Customer Satisfaction by Contact Channel



Source: Frost & Sullivan analysis

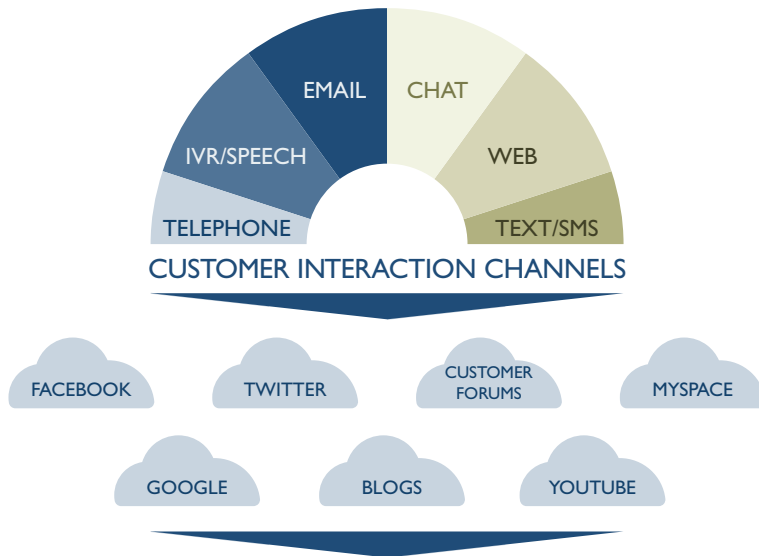
“There is a tremendous opportunity to help contact centers move from a cost-focus to a value-add focus, from merely satisfying consumers to creating delighted brand advocates and loyal customers.”

Frost & Sullivan Analysis

Sales and support agents in contact centers today are utilizing a wider arsenal of communication tools: voice, video, email, IVR, web chat, file sharing, and social media. Traditional voice-centric call centers are morphing into “omni-channel” contact centers that deploy a complex blend of communications and collaboration technologies.

The proliferation of channels and devices that consumers now have at their fingertips is creating an operational challenge. Increasingly, customers will expect very personalized interactions and engagement on the channel of their choice. Exhibit I.1 shows the breadth of customer communication mediums and popular social media channels.

Exhibit I.1
Emergence of Customer Interaction Channels

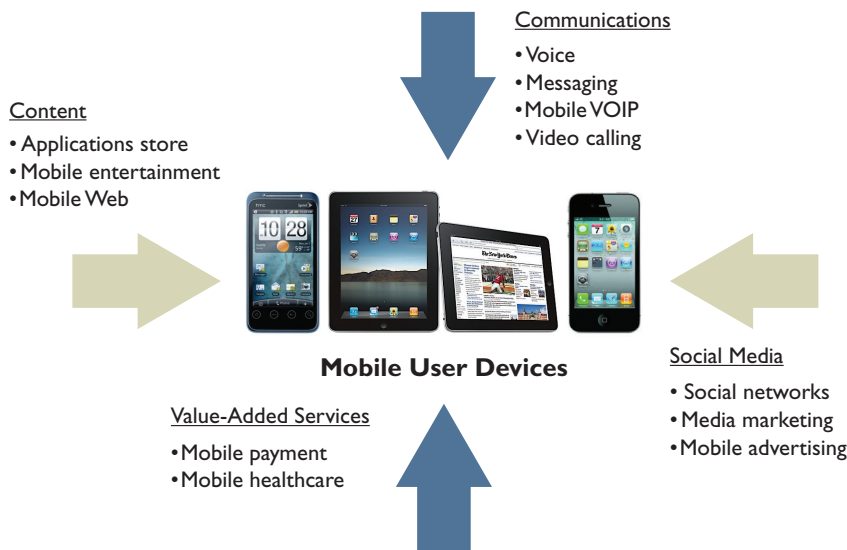


Source: Frost & Sullivan analysis

Technology and the wide availability of communication devices empower consumers to communicate with enterprises in new ways, fundamentally changing the dynamics between buyer and seller. As an example of this, Exhibit I.2 illustrates how the mobile user experience and expectations are evolving with use of devices like smart phones and tablets.

When analyzing a customer's journey, businesses need to have the ability to drill down into any interaction, measuring voice calls, text messages and Web chats in order to understand the impact on the overall customer experience.

Exhibit I.2
Mobile User Experience Evolves with Smartphones and Tablets



Source: Frost & Sullivan analysis

“The overarching aim with cost-to-serve and customer effort analysis is to drive profitable customer interactions for the organization. Customer analytics, properly applied, drives margins and top-line revenues.”

*Michael DeSalles
Principal Analyst*

While espousing that consistent customer experiences across contact channels is a high priority, most companies have only begun integrating their contact channels.

Frost & Sullivan believes there is a tremendous opportunity to help contact centers move from a cost-focus to a value-add focus, and from merely satisfying consumers to creating delighted brand advocates and loyal customers. The goal is to get organizations to make customer service and contact centers more strategic to the enterprise’s core business.

Understanding the customer experience means having a firm grasp on customer interaction history, demographics and trends. One must take a hard look at the entire experience from the time the customer initiates contact, via any channel, through to issue resolution. When analyzing a customer’s journey, businesses need to have the ability to drill down into any interaction, measuring voice calls, text messages and Web chats in order to understand the impact on the overall customer experience.

COST-TO-SERVE AND CUSTOMER EFFORT

For contact center transactions, Frost & Sullivan defines cost-to-serve (CTS) as the total cost across all channels to resolve customer issues. It is important to understand the total cost of servicing customers at a product and service level. Companies can then map the appropriate technology and agent resources to the right customer.

The overarching aim with CTS and Customer Effort (CE) analysis is to drive profitable customer interactions for the organization. Cost-to-serve drivers in customer interaction management can include:

- General inbound call handling
- Technical support inquiries
- Lost or abandoned sales calls
- Order processing errors
- Unnecessary call backs

CE, on the other hand, is the cumulative number of attempts made by customers to resolve problems or successfully purchase products or services across multiple channels. Generally speaking, Web interactions cause the least effort. Voice and email interactions tend to cause the most customer effort. Frost & Sullivan believes that while organizations should create an omni-channel world for their customers, the main focus should be to reduce customer effort across these channels. Customer Effort Scoring (CES) is a nascent science but will gain traction in the near future as a complementary method of measuring overall customer satisfaction.

A BPO TRANSFORMATIVE SOLUTION: FIRST CUSTOMER INTELLIGENCE (FCI)

Frost & Sullivan maintains that contact center outsourcing will continue to expand and grow in the future as a result of strategic, financial and technological factors:

- The desire of organizations to focus on their core competencies
- The attractiveness of partnering with experienced outsourcing companies that can deliver exceptional service levels at lower cost
- Workforce Management/Optimization solutions that can expand and contract in relation to business objectives; this would include calls, emails and text messages
- Increased acceptance and trust in utilizing right shore agent resources for customer care outsourcing

Customer care outsourcers offer a multitude of benefits to their client base. This includes eliminating capital expenses, the flexibility to address new markets, access to qualified call center agents, reduced costs, advanced management techniques and the opportunity to gain access to state-of-the-art technology, including customer intelligence, without massive financial outlays.

A case in point: as a leading global business process outsourcing (BPO) provider, Firstsource offers a wide range of services in customer management and back-office processes for clients across industry verticals. Firstsource also has a value-added product offering, **First Customer Intelligence (FCI)**, which measures customer sentiment, emotions and behavior across an omni-channel environment at an early stage in the interaction. FCI helps Firstsource strengthen its core proposition and add value to the client's business by providing actionable customer insights.

PARTNERSHIP STAKES

Frost & Sullivan research shows that companies are now, more than ever, looking for true partnerships with an experienced service provider. They want to build a relationship with a firm that accelerates the growth of their company and helps strengthen the brand.

Frost & Sullivan believes that there are a number of critical areas that must be examined when making the choice of a partner in the deployment of customer analytics. Listed here are a few important considerations:

✓ **Reputation**

What is the track record of the provider with companies like yours? Will it provide other referenceable clients who can provide an honest assessment of the history of performance?

*Customer care outsourcers like Firstsource offer a multitude of benefits to their client base. **First Customer Intelligence (FCI)** measures customer sentiment, emotions and behavior across an omni-channel environment at an early stage in the interaction.*

✓ **Stability**

Has the provider demonstrated a record of financial stability and a history of growth in the market?

✓ **Management**

How seasoned are the executives that run the company? What is their experience in the industry?

✓ **Reliability**

What is the history of outages and system uptime at the network, applications and desktop levels? What is the meantime to failure? How current is the hardware and software?

✓ **Strategic**

Is outsourcing your contact center functions part and parcel of the overall corporate strategy to focus on the company's core competencies?

✓ **Scale**

Can the provider scale up or down to meet your business requirements and map to your firm's seasonal sales periods and growth?

✓ **Responsiveness**

Are there reliable case studies and other customer testimonials that demonstrate the responsiveness of your prospective partner?

✓ **Customer Intelligence**

Can the partner provide end-to-end customer intelligence on a project basis with no upfront investment into speech and text analytics? Is there an evaluation for customer issues and sentiment management? Will there be resolution of customer service management challenges?

✓ **Technology**

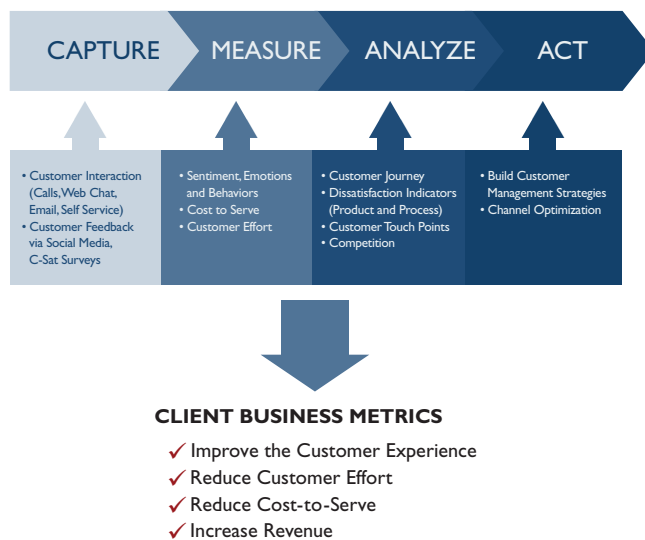
How often are systems, processes and procedures maintained and updated? Are there special processes, tools and platforms that make the agents' work easier? Will these enhancements allow them to better connect with customers and provide an optimal customer experience?

INSIGHT AND ACTION

The purpose of customer intelligence is to derive insight into patterns of customer behavior and provide a roadmap for specific company responses in the market. This includes not only the contact center, but expands further in the enterprise to incorporate other departments (such as marketing, sales, and corporate communications).

Exhibit 1.3 shows the FCI logic and workflow that provides intelligent, actionable insights. These insights can be used by contact centers and departments across the enterprise to improve customer satisfaction, reduce cost-to-serve and customer effort, while increasing revenues.

Exhibit 1.3
First Customer Intelligence Workflow



Source: Firstsource

The actionable insights that organizations can expect to gain when implementing First Customer Intelligence include:

- **Product Insights.** Correlating customer experience with product parameters (pricing, features, and process); competitive analysis
- **Process Insights.** Measuring customer effort across processes (billing, order placement, customer service, technical and help desk) and revealing process inefficiencies.
- **Channel Insights.** Improving the efficiencies of each customer communication channel (voice, email, text, social media)
- **Web Strategies.** Formulating effective Web strategies and implementation

Here's how FCI works in the real world:

Case 1: Major Pay-TV Provider

A major Pay-TV provider reported a number of complaints in the technical trouble-shooting process for its TV products. Customers were upset about the options provided online and for Web chat. Firstsource implemented its First Customer Intelligence and analyzed customer effort in reaching the “self help” menu. First Customer Intelligence insights reduced the customer effort for resolving technical problems by 40 percent.

Case 2: Large UK Telecommunications Carrier

Customers of one of the UK's largest telecom carriers were dissatisfied with its bundled mobile plans for smartphones (customers could sign up and buy devices on its website). Using First Customer Intelligence, Firstsource recommended a change in the website strategy to substantially improve the customer experience. FCI insights and recommendations helped the client enhance the customer experience for its users, while increasing Web sales of smartphones.

CONCLUSION

Enterprises with expansive care, billing and service/sales agents have come to understand just how important an asset the contact center has become. It is a critical conduit by which the company can grow the business, retain customers and protect the brand. Companies today are insisting that customer insights/service become an organization-wide priority. At the same time, executives continue to push for reduced costs and a better customer experience.

Market dynamics and recent technical innovations bring new advances, functionality, complexity and challenges to daily contact center operations. This places customer intelligence in the spotlight for today's contemporary contact center. Analytics makes meeting or exceeding expectations possible. At the end of the day, the overarching aim of cost-to-serve and customer effort analysis is to drive profitable customer interactions for the organization.

Finally, customer expectations for excellent service delivery are extremely high, regardless of the industry segment. Customer intelligence is the new black. Teaming with an experienced partner is critical to success in the market. We recommend First Customer Intelligence (FCI) as an easy-to-deploy solution that produces valuable insights into customer emotions, behaviors and buying patterns.

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Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants. For more than 50 years, we have been developing growth strategies for the Global 1000, emerging businesses, the public sector and the investment community. Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies? Contact Us: Start the Discussion

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