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**Redefining the
Mission for
Banks' Call Centers
*Cut Costs,
Grow Sales, or Both***



Contact Information

Chicago

Ashish Jain

Principal

312-578-4753

ashish.jain@booz.com

New York

Amit Gupta

Partner

212-551-6823

amit.gupta@booz.com

Seamus McMahon

Partner

212-551-6400

seamus.mcmahon@booz.com

Kumar Kanagasabai

Senior Associate

212-551-6455

kumaresan.kanagasabai@booz.com

EXECUTIVE SUMMARY

Financial-services organizations have traditionally viewed call centers as a means to cut costs or improve customer satisfaction. However, this channel has failed to deliver on both of these missions. In an environment of falling revenues and profits, banks are now looking to redefine the mission for call centers. Some are looking to reduce this channel's costs by moving more transactions to self-service options; others are aiming to make it a profit center that drives sales growth; a number of banks are doing both. Either approach requires a deep understanding of customer needs and a strategy that is focused on meeting them.

BACK TO THE DRAWING BOARD

Banks introduced the call center channel in the early 1980s with the aim of reducing overall servicing costs. The idea was to eliminate low-value, basic transactions from the high-touch, high-cost, traditional branch banking channel. This would, in theory, enable branch employees to concentrate on revenue-generating activities.

However, banks did not achieve the desired result. Even though a large number of transactions moved to call centers, banks did not see an overall decline in transaction costs or in the total number of transactions. In fact, they saw an overall increase in the number of transactions, as a result of customers having easy access to the call centers. In effect, they had simply created yet another channel that required ongoing cost management.

Over the years, banks have attempted several measures to fix this vexing problem. These measures have largely focused on improving agent productivity, making better use of routing and information tools, and increasing customer satisfaction by delivering exceptional service. The results, while positive, were met with muted acknowledgement that additional steps must be taken in a structured and coherent manner.

Financial-services organizations are now back to the drawing board. In this difficult market, they are redefining the core mission of the call center channel. Some banks are trying to reduce call centers' operating costs;

others are transitioning the channel from a cost center to a profit center.

In our view, these two options are not mutually exclusive. "Customer-back optimization" is an approach that frames both goals—cutting costs and driving revenues—in terms of meeting customers' needs.

On the cost side, there are three levers for improvement:

1. Prevent avoidable calls by addressing customer needs more effectively.
2. Shift calls away from agents by improving the self-service experience.
3. Reduce call transfers by addressing calls the first time they come in.

The revenue side, too, has three improvement levers:

1. Create a comprehensive view of each customer's profile to understand his or her needs.
2. Standardize the sales process to maximize the use of customer information in sales.
3. Upgrade agents' skills so they can satisfy the customer by offering the right products and services.

Ultimately, by framing call centers' mission around pleasing the customer, banks will achieve substantial benefits in terms of both cost and revenue.

REDUCE OPERATING COSTS

The starting point for reducing call center operating costs is to reduce the overall volume of calls, which requires an understanding of why people call. In our experience, 50 to 60 percent of the inbound calls within financial-services firms are driven by banks' own errors: internal policies and customer-focused processes that were set up poorly, limited channel integration that inhibits the sharing of data, lack of self-service options, or poor communication. A large proportion of these calls are

preventable. Typical examples of preventable first calls are inquiries related to when a statement is coming, the status of payments, or when a transaction will be posted to the customer's account. A second category of preventable calls is repeat calls, which occur when the customer is not serviced sufficiently the first time around or needs to check on the status of existing service requests. These account for up to 20 percent of calls. Both of these types of calls can be reduced through a combination of

More than half of the inbound calls to financial-services firms are driven by banks' own errors.

better customer education regarding policies, proactive notification and status alerts, and enhanced agent training to resolve issues. A 5 to 10 percent reduction in call volume can save up to \$10 million annually.

Second, call centers must strive to shift more customer service requests to self-service tools such as voice response units (VRUs) and online channels. The economics of doing so are fairly obvious. Calls handled by agents typically cost about \$4 per contact, while the cost per contact online is astonishingly lower: \$0.10 to \$0.15. Ultimately, banks that can shift between 5 and 20 percent of

their call volume from agents to the Web and VRUs can save as much as \$25 million per year. The first step toward encouraging self-service is to make it easier and simpler to use these channels. Too often, they are overly complex, trapping customers as they try to find the elusive option that will resolve their query. In other instances, the channel's function is limited, resulting in more calls being channeled to a live agent—e.g., requests for historical statements or dispute processing. Enhancing self-service functionality will enable customers to complete more tasks online and drive greater adoption among consumers.

Last, call centers should strive to reduce call transfers, whether from the VRU to an agent or from one agent to another (including escalations). At one bank, up to 5 million calls per year were internal transfers that could have been addressed by the first agent. In some instances, the VRU routed the call to the incorrect agent pool. On other occasions, agents incorrectly transferred calls among themselves because the root of the request was not properly identified. Improved VRU routing, better agent training to address calls the first time, and a higher degree of agent empowerment to support de-escalation of calls can help solve these issues. Cutting

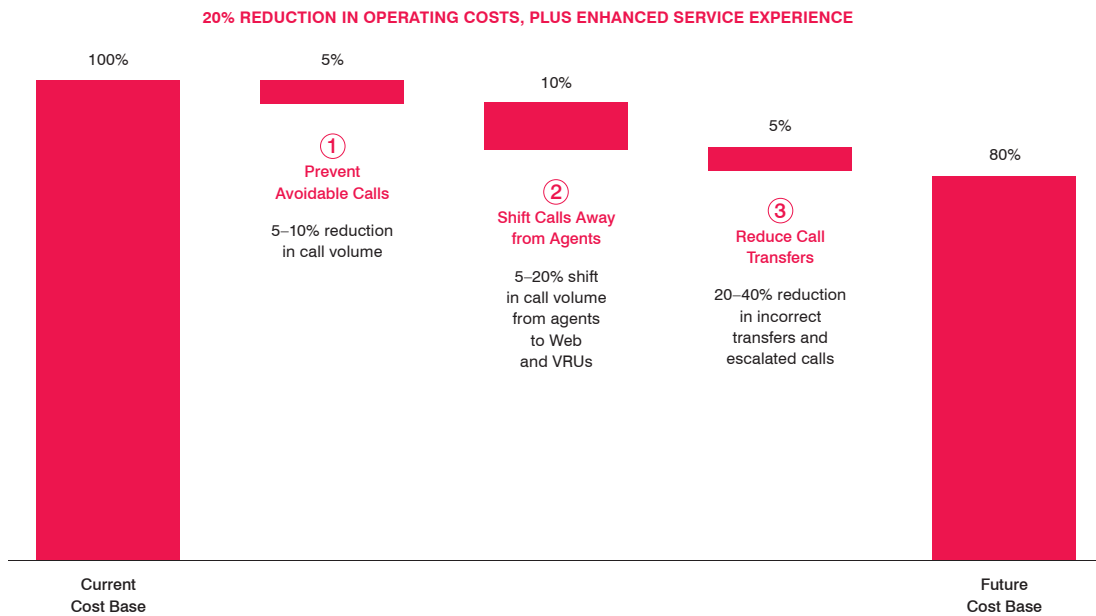
Call centers should strive to reduce call transfers, whether from the VRU to an agent or from one agent to another.

incorrect transfers and escalated calls by 20 to 40 percent per year can result in \$10 million in annual savings.

Reducing preventable calls, shifting more calls to self-service, and cutting down on call transfers are all powerful tools to reduce operating costs (see Exhibit 1). They can also improve customers' experience, thus offering the potential for greater loyalty and future cross-selling.

Banks do have to be mindful of the revenue trade-offs they make as they reduce costs: Instituting automatic alerts for customers will enable them to better manage their account activity and cut down on their need for contact, but could also result in lower fees—for instance, as it helps customers avoid bouncing checks. However, the upsides of greater loyalty, propensity to buy, and cost reduction outweigh the trade-offs.

Exhibit 1
Three Levers for Cost Reduction



Source: Booz & Company

BECOME A SALES CENTER

There is a move in the industry to change call centers from a transaction-driven channel to a cross-selling and up-selling channel. To that end, call center employees are often given instructions such as, “You’ve got to think of yourself as a banker. You are not a customer-service rep. You are not an agent. You are a banker.”

However, the desire to develop a new sales channel through the existing call center infrastructure has not worked for most banks for a number of reasons:

- Bank products are not a high-frequency need. When customers call their banks, they are typically trying to resolve an issue or get some information related to their existing products. They are rarely looking to buy new products. As a result, selling through the call center is a difficult value proposition.

- Banks are unable to match offers to the timing of customers’ needs. Though banks are increasingly using technology to understand customers’ needs and intents, financial-services organizations have found it hard to match the event triggers and timing of their offers.
- Staff have a lack of sales skills. No more than 10 percent of the existing inbound and outbound agents have the skills to sell. Moreover, these agents rarely engage with the customers to truly understand their needs. This shows a lack of clear processes or information at the front line to ask the right questions.

Successfully turning a call center into a sales center requires an extensive retooling of the current operating model, based on three imperatives: a clear and integrated view of the customer, a streamlined and

standardized sales process, and a strategy to upgrade agents' skills.

Those few organizations that have successfully turned call centers into sales centers have been extremely targeted in identifying sales opportunities and the timing of those opportunities for customers. To accomplish this, they have aggregated customer data across all interactions to create a single view of each customer's preferences and buying habits that is

easily accessed by agents. In addition, economic benefits are carefully calculated to manage the yield and ensure that agents are generating incremental revenue by cross-selling and up-selling products and services. Automated systems intelligently route the call to the appropriate call center group, where specialized sales agents have the necessary information to understand the customer's need, the events that prompted that need, and the products that the customer would

actually be interested in buying, given this information. Database and CRM tools gather customer data, route the call to the appropriate group, and eventually display the right suite of products at the right time to the call center agent.

In addition, call centers need to establish standardized processes for cross-selling and up-selling. Customers want to be offered the right set of products as part of the

Call centers need to establish standardized processes for cross-selling and up-selling.

sales interaction process. In reality, however, they are rarely offered what they want due to information gaps between the product development team and the sales operations group. Furthermore, most call centers lack the capabilities to properly segment customers and understand their sales needs. A standardized sales process includes presenting the right products and services in a structured format. Gathering additional customer sales information is absolutely critical.

Most important, the call center's human capital strategy needs to be redefined. Banks need to be extremely careful in selecting their agents, redefining the skills required, and fighting the talent war in the market to attract the people who have those skills. Existing incentive structures need to be adjusted accordingly: A performance-based compensation model, with both sales and service measures, is essential to ensure that the right sets of behaviors are encour-

aged. This model should be developed in conjunction with an overall career development plan for sales agents. The culture also requires a major shift to move away from a service mind-set and toward one that is focused on sales. We believe organizations can become more sales-focused in their call center channel. Although it is not easy, it is a long-term commitment that will eventually pay off.

THE PATH FORWARD

Unlocking the value inherent in call centers requires a fundamental overhaul and redefinition of key elements of the operating model. Reducing operating costs or becoming a sales center is increasingly difficult in an environment characterized by intense competition. In this challenging environment, companies that embrace the customer-back optimization approach will reap substantial benefits and develop an important competitive advantage.

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