



First Call Resolution – The Metric that Matters Most!

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Call center managers are becoming aware of the impact First Call Resolution (FCR) has on their call center performance. However, most call center managers do not fully understand FCR's impact on their organization's performance. In addition, most call center managers struggle with how to measure and improve their FCR performance.

Introduction

Call center managers are becoming aware of the impact First Call Resolution (FCR) has on their call center performance. However, most call center managers do not fully understand FCR's impact on their organization's performance. In addition, most call center managers struggle with how to measure and improve their FCR performance. SQM's assessment is based on our 2008 benchmarking studies of over 400 leading North American call centers, in which SQM surveyed over 1,000,000 customers who called a call center and surveyed 25,000 employees who work in call centers. It is also important to mention that SQM has been conducting call center benchmarking studies since 1996. This article is designed to explain why FCR matters most for impacting a call center's performance. Also, we will share methods on how to measure and improve your call center's FCR performance. This article is an updated version from 2006.

Why FCR Metric Matters Most

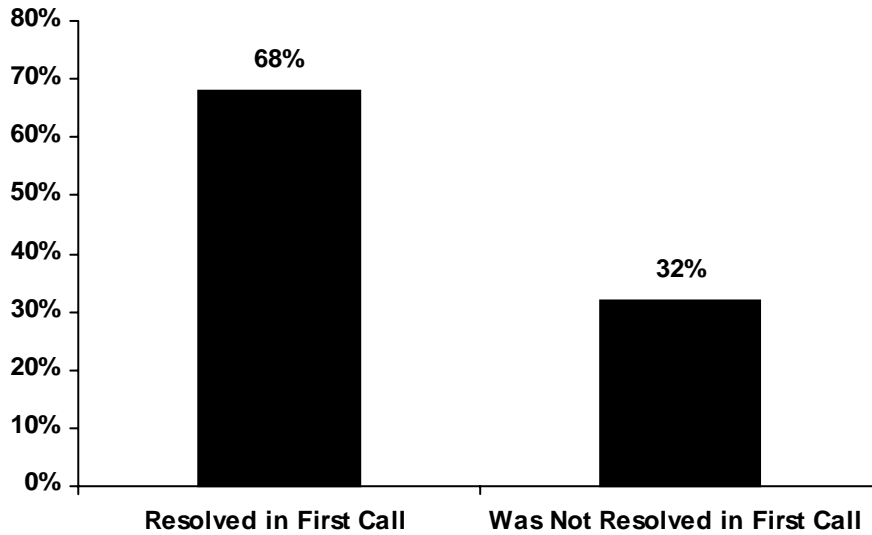
The question SQM is asked most often is ... "what are the most important metrics for measuring and managing call center customer service and cost performance?" The traditional operational metrics such as service levels, speed of answer, talk time, wrap-up time, calls handled by Customer Service Representative (CSR), abandon rates, occupancy rates and call monitoring scores are good operational metrics and call centers should continue use them. However, it is SQM's opinion that traditional operational measures are not proxies for measuring the effectiveness of the call center's customer service or the efficiency of the call center's operating cost practices. We believe that use of traditional operational measures as a proxy for call center customer service and cost performance is fundamentally a poor practice. For example, we have worked with many call centers in which the service levels are below their targets but their customer satisfaction is improving. We have also seen the number of calls handled per CSR go up and for those same call centers, cost per call resolution go up. The metric we believe is most important for measuring and managing call center customer service and cost performance is... you guessed it...**FCR!**

Listed below are the 5 main reasons why FCR matters most and the business case to use FCR as the key initiative to improve your call center customer service and cost performance.

1. **Reduce operating cost** - if you are achieving a 68% FCR rating, which is the call center industry benchmark average, you need to understand that 32% of customers have to call back because their issue wasn't resolved on their first call. It is important to also note that the call center industry average is 1.4 calls to resolve a customer's inquiry or problem. (see Figures 1 & 8) This represents an enormous opportunity to reduce your call center's operating cost.

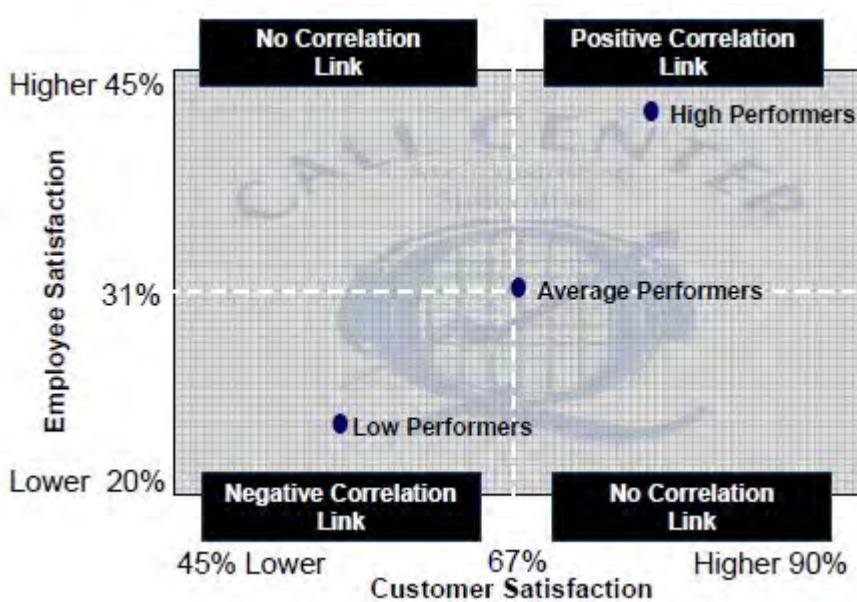
2. **Improve customer satisfaction** - for every 1% improvement in FCR, you get a 1% improvement in customer satisfaction. FCR is highly correlated to customer satisfaction. In fact, FCR is the highest correlated metric to customer satisfaction of all the call center metrics. It is also important to mention that the absence of FCR is the biggest driver of customer dissatisfaction.
3. **Increase opportunities to sell** - when a customer call is resolved you increase the customer cross-selling acceptance rate by 20%. SQM's research shows that customers' needs must be resolved before the CSR has earned the right to move on to any sort of sales activity. If the CSR cross-sells before the inquiry or problem is resolved, the customer becomes irritated and feels that the organization is pushing its needs, rather than serving the customer. As a result, the fundamental customer relationship is undermined.
4. **Improve employee satisfaction** - SQM research clearly shows that call centers with high employee satisfaction also have high FCR. Conversely, call centers with low employee satisfaction have low FCR (see Figure 2). The stress is very high on the employee who handles the second and third call from a customer whose issue wasn't resolved the first time. We believe that improving FCR improves both customer and employee satisfaction.
5. **Reduce customers at risk** - SQM research shows that if the customer's inquiry or problem is resolved in the first call, only 1% of those customers are at risk to go to your competitors. Conversely, 15% of customers who did not get their inquiry or problem resolved are likely to go to your competitors. (see Figure 3) Customers that are at risk of going to competitors are a result of unresolved customer inquiries or problems and have the biggest impact on the call center's financial performance. Most call centers are not aware how much revenue they are losing as a result of the customer's inquiry or problem going unresolved.

Figure 1: Call Center Industry First Call Resolution Performance



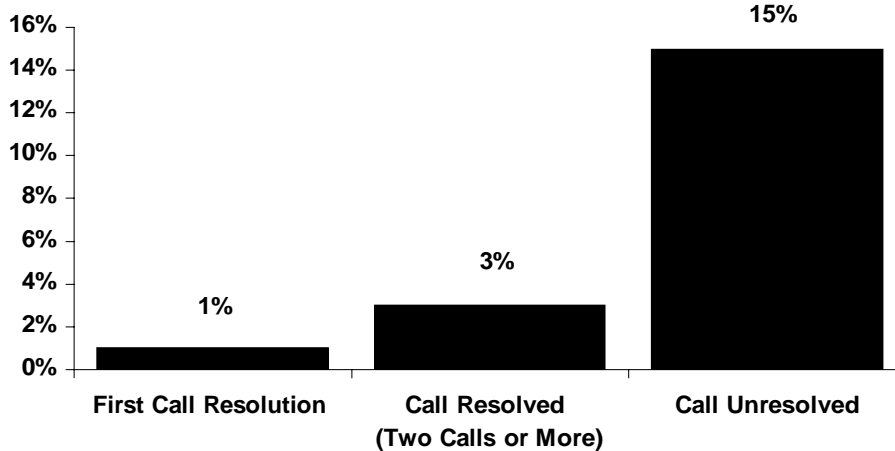
Key Finding: For the call center industry, 32% of customers have to call back to get their inquiry or problem resolved. Also, the call center industry average is 1.4 calls to resolve a customer's inquiry or problem.

Figure 2: Employee and Customer Satisfaction Correlation Link



Key Finding: Employee and customer satisfaction correlation is positively linked for high performing call centers and negatively linked for low performing call centers.

Figure 3: Call Resolution Impact on Customers at Risk



Key Finding: *If the customer's inquiry or problem is resolved in the first call, only 1% of those customers are at risk to go to your competitors. Conversely, 15% of customers who did not get their inquiry or problem resolved are likely to go to your competitors.*

Defining FCR

Many call centers struggle with determining their FCR performance. The main reason for this is because they find it difficult to define and measure FCR. It has been SQM's experience that call centers are inconsistent in defining FCR and the methods they use to measure FCR. SQM is often asked, "What is the difference between FCR and call resolution?" The main difference is that call resolution may take more than one call to achieve resolution, whereas FCR takes only one call to resolve.

SQM's definition of FCR performance is the percentage of customers who achieved call resolution in one call

Here is a list of best practices for measuring FCR:

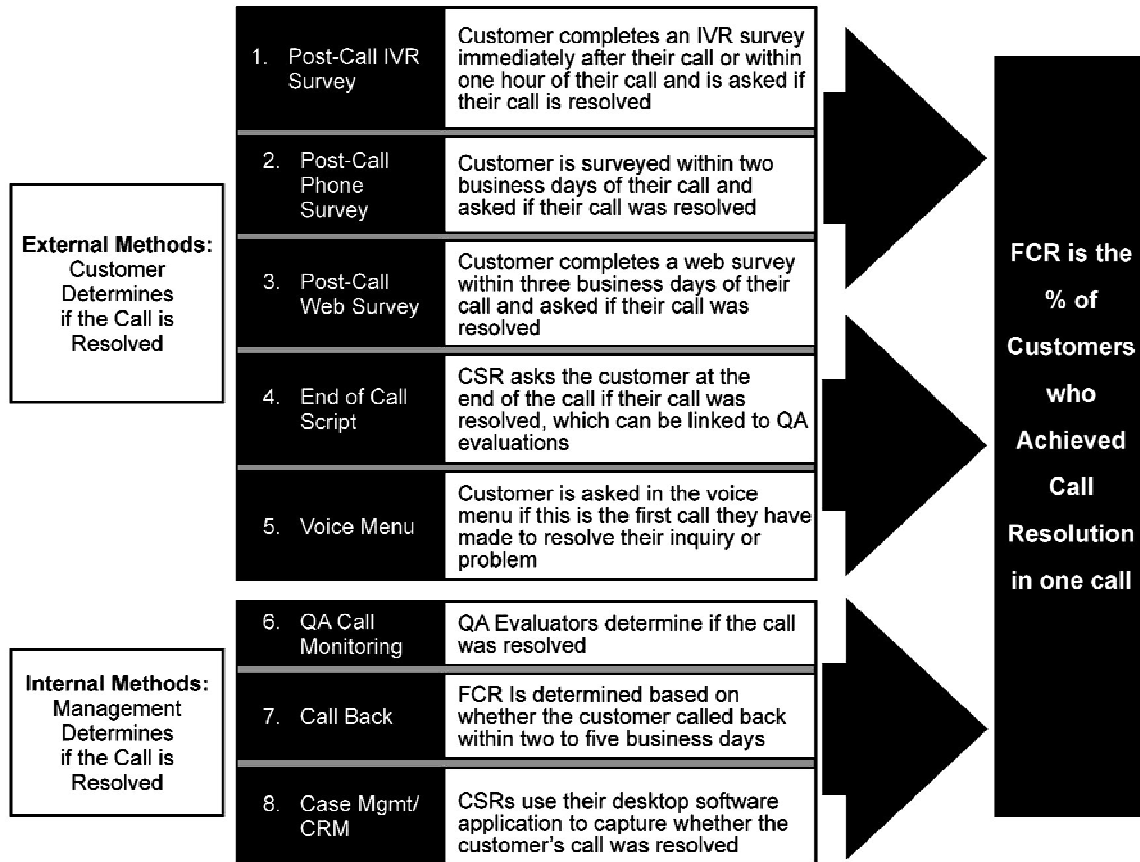
- FCR is determined by the customer who made the call.
- The customer is asked to complete a post-call FCR survey.
- In the post-call FCR focused survey the customer is asked, "Was your call resolved?", and, "How many calls did you make to resolve your call?"
- If the customer said their call was resolved and in one call, then the customer experienced FCR.
- If only one call is made, the customer is transferred to another CSR and the call is resolved, it is still considered, in most cases, FCR.
- FCR is achieved even if the call needs to be fulfilled by another employee or department; as long as the customer does not have to call back about the same inquiry or problem.
- Determine FCR performance by LOB, segment, call center, manager, call type, skill set, customer value, outsourcer, etc.

Different Methods of Measuring FCR

Figure 4 shows eight different methods of measuring FCR. The first five methods are external methods, with the outcome being determined by the customer. The last three methods are internal methods, with the outcome being determined by the organization. Call centers may choose to use internal FCR methods, but these methods are costly, less effective and less accurate than utilizing external methods. Our research shows that when FCR is reported by internal methods, the call center industry average is 84%. However, when FCR is reported by external methods, the call center industry average is 68%. It has been SQM's experience that the internal methods over inflate FCR performance and therefore, when your FCR performance is in the mid-eighties there is no sense of urgency to make improvements. Each method for measuring FCR is useful in helping the call center improve their FCR performance. However, the external method in which the customer determines if their call was resolved on the first call is what matters the most.

Using multiple methods for measuring FCR is a best practice because each FCR measurement method can be used for different insights and accountability for improving FCR performance. For instance, having the CSR ask the customer if they resolved their call, at the end of the call, creates CSR accountability for resolving the customer's call and will also reduce the likelihood of the customer having to call back about the same issue or problem. Using the voice menu or call-back customer information allows the call center's intelligent call routing technology to route calls to the best CSRs. Both of these FCR measurement methods can also be used to calculate FCR performance in real-time. Post-call surveys can provide FCR and call resolution performance data for bonus and recognition purposes from the CSR to the VP level. Most employees find the customer survey results for determining FCR and call resolution performance to be the most credible and accurate measurement method. Also, post-call surveys provide information about whether the call was resolved from a customer's perspective while internal methods measure frequency of FCR and two-plus calls, but cannot determine if the customer's call was resolved. Internal methods can be very helpful for root cause analysis in order to determine what is causing two-plus calls and for developing solutions for improving FCR.

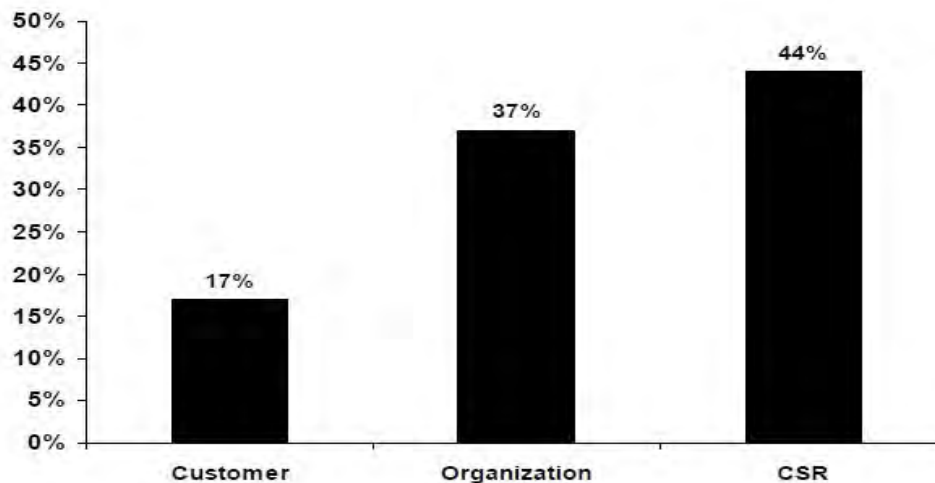
Figure 4. External and Internal Methods for Measuring FCR



Why FCR is So Hard to Improve

In truth, it really isn't hard to improve FCR if you are customer-focused and you create FCR accountability at all levels. What is difficult for management is accepting the fact that the customer is the only true judge of FCR. Instead, management feels safer clinging to the metrics that they know well such as measures of productivity and QA. Managers who feel they are forward thinking and have a FCR metric in place, are surprised when we point out that FCR is not actually in place. FCR needs to be a living, breathing metric from the CSR level through to the VP level to be successful. FCR also needs to have more importance than traditional operational metrics and needs to be determined by customers. SQM research shows that when we look at the reasons a customer has to place two or more calls into a call center, the majority of the time it is due to something that the CSR did or didn't do (44%). As an example, the CSR may be unclear or giving wrong information. Examples of organizational issues are policies, field service, billing and claims, which constitute 37% of the reasons a customer has to call back. (see Figure 5) There are two main reasons that make FCR difficult to improve. Firstly, most call centers do not have their customers be the judge if their call was resolved. Secondly, CSRs and managers are not held accountable or rewarded for their call resolution/FCR performance. Again, given that the CSRs are the FCR primary source of error, it is imperative that your FCR improvement efforts are first focused at the CSR level. It has been SQM's experience that improving CSR source of error is an easier undertaking than improving organizational source of error issues. Also, many FCR organizational issues tend to be out of the call center's scope of responsibilities.

Figure 5: FCR Source of Error

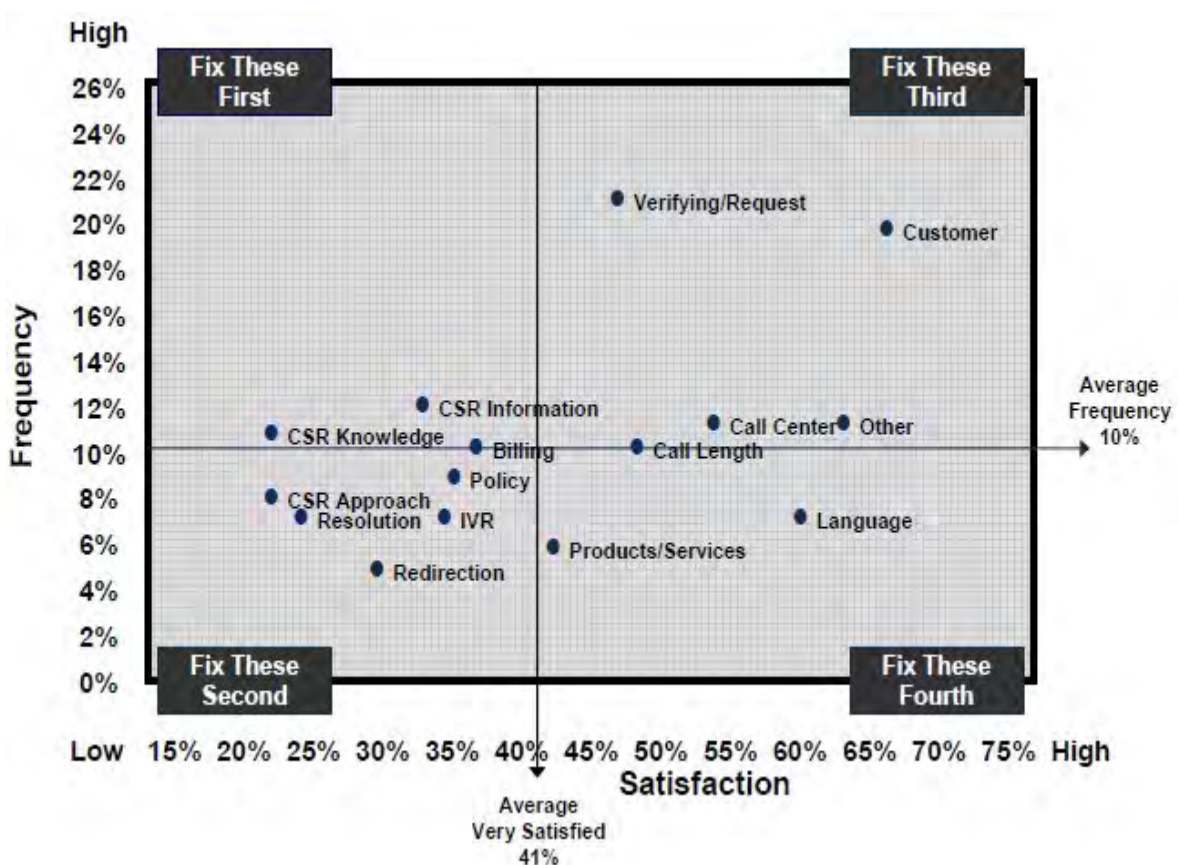


Key Finding: The CSR is the source of error 44% of the time for the reasons why customers have to call the call center two or more times.

Areas for Improving Why Customers Have to Call 2 or More Times

Figure 6 shows the areas for improving why customers have to call 2 or more times for the call center industry. Areas in the "fix these first" quadrant met the criteria of having higher than average frequency and lower than average customer satisfaction for customers who had to call more than 2 times to get their inquiry or problem resolved. The areas that show up in the "fix these first" quadrant are CSRs providing wrong information, CSRs lacking knowledge to properly help the customer and billing issues. It is also very helpful to do deep-dive analysis on areas to improve why customers have to call 2 or more times. For example, a deep-dive analysis for billing would consist of analyzing data such as incorrect billing, corrections not done or bill is unclear. Fixing the reasons why customers have to call 2 or more times is one of the most valuable initiatives that call center management can do to improve their call center customer satisfaction and FCR performance.

Figure 6: Areas for Improving Why Customers have to Call 2 or More Times



Key Finding: The areas that show up in the "fix these first" quadrant are CSR providing wrong information, CSR lacking knowledge to properly help the customer and billing issues. Fixing these areas will improve your FCR performance.

Customer Quality Assurance

Our research shows that 95% of call centers use call monitoring yet very few, if any, can empirically say that as a result of their call monitoring practices their customer satisfaction has improved. It is SQM's viewpoint that the ***new innovation that will take place in the call center industry in the next couple of years will be integrating customer survey ratings into an organization's traditional quality assurance program.*** How this will work is for the same call, customers will judge their own experience through a customer satisfaction (live or IVR) survey. Then, the call compliance will be assessed using customer driven metrics assessed by the organization's QA CSRs using their own call recording system. CSRs like this approach substantially better than the traditional QA approach because they find it more meaningful and consider it to be a more balanced approach to measuring their customer service performance. They also find that the coaching they receive becomes more focused on improving each customer's satisfaction and call resolution experience. SQM results show that a Customer Quality Assurance (CQA) program is highly correlated to call center overall customer satisfaction (Csat). (see Figure 7) In fact, the Csat correlation for a CQA program is 54% and the traditional QA program correlation is only 12%. The meaning behind the correlation ratings is that in the CQA program if your CQA ratings go up or down so will your Csat ratings because they are highly correlated. Conversely, with the traditional QA programs, Csat ratings do not trend up or down with QA ratings so there is no correlation. The call center industry traditional QA program standard deviation is only 2 meaning most QA scores are very similar. The CQA standard deviation is 11, meaning that there can be big differences in CQA scores. The bottom line is that CQA is truly a new innovation that can help your call center improve its FCR and Csat performance.

Figure 7: Comparison of Traditional and Customer Quality Assurance Programs

	Traditional Quality Assurance to Csat Correlation	Customer Quality Assurance to Csat Correlation
Correlation Score	12%	54%
Standard Deviation	2	11

Key Finding: *Customer Quality Assurance (CQA) program is highly correlated to call center overall customer satisfaction (Csat). In fact, the Csat correlation for a CQA program is 54% and the traditional QA program correlation is only 12%. The meaning behind the correlation ratings is that in the CQA program if your CQA ratings go up or down so will your Csat ratings because they are highly correlated.*

Unresolved Calls Impact on Operating Cost

Figure 8 shows that for the average call center only 49.76% of inbound calls are “one and done”. That means approximately 50% of inbound calls are the result of the customer’s call not being resolved on the first call. The average call center resolves 68% of their calls on the first call. This means that up to 32% of customers have to call back because their issue is not resolved the first time. However, SQM’s research shows that 30% of customers who did not get their call resolved will not call back. Call-backs account for a large amount of a call center’s annual budget. In fact, two-plus calls account for 15% of the average annual budget. It is important to note that the call center industry average to resolve a customer’s inquiry or problem is 1.4 calls. This represents, in most cases, the biggest area for call centers to reduce their operating costs. The number of additional calls made to the average call center that SQM benchmarks, is approximately 1,001,122 which represents 29% of the total call volume. In most cases, world class call centers have between 10% and 15% additional calls as a result of not achieving FCR.

Figure 8: Unresolved Calls Impact on Operating Cost

Unresolved Calls Impact on Operating Cost						
Based on an average annual volume of 3,500,000 inbound calls						
Average FCR	68%	Average % of Customers	% of Actual Calls Made to Call Center	# of Calls Made based on Annual Volume	# of Transactions	# of Additional Calls Made
Average Call Resolution	87%					
Calls Needed to Resolve (87%)	1 Call	80%	49.76%	1,741,757	1,741,757	0
	2 Calls	13%	16.24%	568,418	284,209	284,209
	3 Calls	4%	7.45%	260,742	86,914	173,828
	4 Calls or More	3%	7.05%	246,836	61,709	185,127
Calls Unresolved (13%)	1 Call	43%	4.03%	140,878	140,878	0
	2 Calls	22%	4.09%	142,989	71,494	71,494
	3 Calls	15%	4.22%	147,859	49,286	98,572
	4 Calls or More	19%	7.16%	250,522	62,631	187,892
Total			100%	3,500,000	2,498,878	1,001,122
Average Calls To Resolve		1.40	% of Additional Calls based on Call Volume		29%	
\$4.36 (Cost Per Call) X 1,001,122 (Additional Repeat Calls) = \$4,364,892 Note: This is 15% of the average annual budget of \$28,569,701						

Key Finding: For the average call center only 49.76% of inbound calls are “one and done”. That means approximately 50% of inbound calls are the result of the customer’s call not being resolved on the first call.

How to Improve FCR

Only 5% of the call centers benchmarked by SQM are at the world class FCR rating of 80% or higher. Achieving 80% or higher FCR rating typically results in an average of 1.2 calls needed to resolve a customer's inquiry or problem. Again, the average call center FCR rating is 68% resulting in an average of 1.4 calls needed to resolve a customer's inquiry or problem. As you can see, there is a big difference between a world class performing call center and an average performing call center. Listed below are the best practices for people, processes and technology for transforming your call center into a world class FCR call center.

FCR People Enablers

Management - is committed to improving FCR in their mind and heart and FCR is viewed as the most important metric.

Awareness - all levels of employees (CSR to VP) are aware of why it is important to improve FCR and are also aware of their ongoing FCR performance.

Accountability - all levels of employees (CSR to VP) are accountable for voice of the customer metrics such as FCR, call resolution and Csat. Specifically, at the CSR and supervisor levels, they should not be held accountable for the FCR metric, rather, call resolution and Csat. Instead, managers above the supervisor level should be held accountable for FCR.

Recognition - CSR to the supervisor levels are recognized daily, weekly and/or monthly for achieving their call resolution and Csat goals.

Financial Incentives - are primarily based on VOC performance metrics and CSR to VP financial incentives are 50% to 100% of the total bonus payout.

Resolution Outcome - CSRs take ownership for resolving their own customer inquiry or problem calls by asking the customer if they have resolved their call.

Coaching - FCR coaching is provided at the CSR level to the VP level.

Hiring & Turnover - new CSR hires are based on having a predetermined FCR profile and call center management is focused on reducing CSR turnover.

FCR Process Enablers

Two Plus Calls - call center management evaluates source of error and reasons for two plus calls. (see Figure 6)

Measurement - FCR is measured hourly, daily and weekly and is determined by the customer.

Call Escalation - customer's problem should be attempted to be resolved with first CSR and customer should only explain their problem once and is warm transferred to the tier 2 CSR for call resolution if needed.

Call Flow - customer calls are effectively and efficiently managed (i.e., call routing, script, desk top applications) for achieving FCR.

PDCA - management uses Plan, Do, Check, Act process improvement techniques to improve their FCR performance.

FCR Technology Enablers

Intelligent Skill Based Routing - match customer and/or call type with the CSR's knowledge and skills.

Contact Channels - multiple channels accessibility means customers can contact you anytime or anywhere.

Call Type Screen Pop-up - CSR receives an FCR screen pop-up script guideline for resolving the customer's call.

Call Wrap-up Resolution - allows CSRs to capture call resolution outcomes and provide FCR and call resolution reporting.

Knowledge Mgmt - CSR uses an online knowledge management tool as a resource to resolve customer calls.

Virtual Hold - when CSRs are not available customers can leave a message on voice menu and they are called back in sequence in which they called.

Verification Self Service - for verification or status update the customer can go either online to get information, or receive an email or IVR call providing real-time verification or status update information.

Knowledge Expert Availability - CSRs can rapidly identify knowledge experts' presence and availability to assist in resolving customer issues in real-time.

Customer Relationship Mgmt (CRM) - CSR has access to all customer information and history to assist in resolving customer's call.

Roaming Knowledge Experts - knowledge experts can assist CSRs or customers for resolving calls via presence-based or wireless phone technology.

Customer Quality Assurance (CQA) - CSR evaluation is based on combining customer satisfaction and call compliance results for the same call.

Broadcast Messaging - use phone and email broadcast messaging to provide customers with information, verification and status updates.

Unified CSR Desktop – reduces the number of applications and makes it easier for the CSR to navigate to the appropriate screens to handle the customer's call.

In Summary

SQM's research clearly shows that FCR is the call center metric that matters most because it reduces operating cost and customers at risk. FCR also increases opportunities to sell and improves both employee and customer satisfaction. No call center metric has as much impact on call center performance as FCR. SQM's definition of FCR is the... "Customer's inquiry or problem is resolved in one call" , and that "the customer must be the judge of determining if their inquiry or problem was resolved in the first call." Remember, only 5% of the call centers benchmarked by SQM are at the world class FCR rating of 80% or higher. The key to achieving world class FCR rating of 80% or higher is to execute the best practices we identified for people, processes and technology enablers.

About SQM

Since 1996, SQM Group has been a call center specialist for benchmarking, improving and certifying sites, managers and CSRs for their first call resolution (FCR), employee satisfaction (Esat) and customer satisfaction (Csat) performance. Over 70% of our tracking clients improve their FCR performance year over year. To ensure the quality of our survey data and feedback collection, SQM monitors 100% of our survey calls. The accuracy of each Telephone Survey Rep is individually tracked and must comply with our minimum error rate of less than 1%.

SQM benchmarks over 400 leading international call centers on an annual basis and has been conducting FCR / Csat benchmarking studies since 1996. On an annual basis, SQM conducts over 1 million surveys (over 450,000 live surveys and over 550,000 IVR surveys) with customers who have used a call center, email, website or IVR contact channel service. SQM also conducts over 25,000 surveys yearly with employees who work in call centers. Our customer and employee survey databases are one of the largest databases in North America. SQM does business in 9 countries around the globe: Canada, United States, Argentina, Australia, Puerto Rico, India, Philippines, Costa Rica and Mexico.

SQM awards excellence in service quality for the call center industry. Our awards are based on customers who have used a call center and employees who work in a call center and are considered to be the fairest and most prestigious awards in the call center industry. We have recognized top performing call centers for Csat and Esat since 1998. SQM evaluates over 400 leading international call centers each year such as Marriott, Sears, Canadian Tire, US Bank, Wells Fargo, Rogers, Capital One, CitiFinancial, Scotiabank, Discovercard, Blue Cross, etc.

Our surveying methodology continues to be at the leading edge. We conduct live surveys through our own dedicated workforce and have developed in-house IVR,

web and email surveys. All survey methods can be integrated into one common database. We can also survey within 5 minutes of the customer's call without having to rely on a transfer into our technology. Our call list management system allows us to accurately deliver a quota of surveys at a customer representative level or any other quota level that is required.

Our Customer Quality Assurance evaluation is a unique service where for the same call SQM conducts a telephone customer satisfaction (live or IVR) survey and combines the survey data with call compliance evaluation data using SQM's data capturing technology for integrating the two data sources. Call compliance evaluations are conducted by using your call recording system and using SQM's call quality evaluators or your in-house QA evaluators or a combination.

Our reporting is available in real-time via our secure website. Customer representatives and supervisors have direct and secure access to their reports and coaching logs. Analysts have full access to over 60 FCR / Csat pre-formatted and easily exported reports with full ability to sort and search the data for ad-hoc reporting. In addition, our reporting capabilities allows the integration of Csat survey and call quality assurance evaluation data.

SQM Group has a proven track record in conducting FCR Csat benchmarking and tracking studies for many leading international call centers. Our experience in FCR, Csat, CQA and Esat measuring, benchmarking, tracking, evaluating and helping call centers improve are unsurpassed and enable us to provide call centers with unique insights into developing and implementing world class FCR, CQA, Csat, Esat performance and lowering their operating cost.