



Voice of the Customer Performance Management System

Call Center Industry Research, Business Case and Best Practices
for Using the VOC Performance Management System

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Call Center Main Purpose

Using the VOC Performance Management System starts with the strong management belief that the call center's main purpose is to continue to provide or to strive towards achieving world class first call resolution (FCR), employee satisfaction (Esat) and customer satisfaction (Csat) performance, while assisting the organization in retaining customers. If you ask call center professionals what their call center's main purpose is, you hear answers such as to service customers, delight customers, exceed customer expectations, resolve their calls, operate in an effective and efficient manner, sell to customers and to help bring in new customers to the organization. It is SQM's belief that the call center's main purpose is to resolve customer's calls on the first call and to retain customers in order to maximize and protect the organization's greatest asset - its customers.

Given that less complex calls are being handled by other customer contact channels, and that CSRs are taking on more complex calls, the call center plays an even more important role in retaining customers. The reason for this is customers cannot resolve their complex inquiries or problems in self-service contact channels. The call center is the only contact channel, in many cases, where the customer's inquiry or problem can be resolved due to the complexity of their issue or problem.

One of the most important aspects of operating a call center is to ensure that management and customer service representatives (CSR) understand the call center's main purpose and objectives. SQM has found that call center managers do not spend enough time developing or communicating the call center's main purpose and objectives. CSR survey feedback shows that they do not have an understanding of the call center's main purpose and objectives. To illustrate this point, if you were to ask your CSRs what your call center's main purpose and objectives are, you will discover that the vast majority of your CSRs will give you inconsistent answers. The bottom line is that there is a misalignment between managers' and CSRs' understanding of the call center's true purpose.

When SQM examined world class call centers, we discovered that employees at the senior management level down to the CSR level clearly understood the call center's main purpose. Such alignment is one of the key reasons why world class call centers not only have world class customer service, but also lower operating costs and higher Esat. They also have substantially less customer defections to their competition than the average FCR performing call center.

The vast majority of organizations have a vision and mission statement but very few call centers have a vision and mission statement specific to their call center's main purpose. SQM considers that having a vision and mission statement specific to their call center to be a best practice. The call center's main purpose model should include a vision statement, a mission statement, operating principles and key performance indicators (KPI). The call center's main purpose model is an effective way to describe the call center's business objectives to all employees. The call center's main purpose model should be communicated on call center walls as well as via newsletters, intranet, meetings and documents. If you say it enough or communicate it enough, it will start to change the way that CSRs, support and fulfillment department employees and managers work in terms of using the call center's main purpose model as a guiding principle for how they do their job.

Senior call center managers should have the responsibility of developing the call center’s main purpose model because they typically define and deliver the goals and expectations to all call center employees. Figure 1 is an example of a call center main purpose model for a call center that aspires to be at the world class level and includes the following:

- ① Vision statement of what you want the call center to look like
- ① Mission statement on how you want to operate
- ① Operating principles of how you will work
- ① KPIs that you will want to use to determine if you are achieving your call center’s vision and mission statements

Figure 1: Call center’s main purpose model (example)

Call Center's Main Purpose Model
<p>Vision <i>(Where we want to be)...</i> To be a World Class FCR and Csat Call Center</p>
<p>Mission <i>(How we want to operate)...</i> To retain customers by resolving their call on the first call and having CSRs that are very satisfied working in the call center.</p>
<p>The Way We Work <i>(Principles on how we will work)..</i></p> <ul style="list-style-type: none"> ① Let the customers be the ultimate judge of our service ① Make the satisfaction of our customers' needs our primary mission ① Have the CSRs with the proper skills, knowledge and abilities ① Conduct ourselves with the highest standard of integrity and honesty ① Ensure that our policies, processes and technology assist us in achieving our mission ① Continually quest for improving FCR, Esat and Csat in everything we do ① Take ownership for resolving customer calls
<p>Key Performance Indicators <i>(KPI performance metrics that we will use to determine if we are achieving our vision and mission)...</i></p> <p><i>Customers calling the call center will experience:</i></p> <ul style="list-style-type: none"> ① 80% or higher of calls are resolved on the first call ① 80% or higher of calls customers are very satisfied (Csat top box rating) <p><i>Employees working in the call center will experience:</i></p> <ul style="list-style-type: none"> ① 50% or higher overall call center Esat

Business Case to Use the VOC Performance Management System

SQM’s research shows that for the average call center, 52% of their inbound calls are the result of the customer’s call not being resolved on the first call. For repeat calls, the CSR is the source of error for approximately 40% of those calls and for most call centers we have studied, the CSR is the biggest source of error for not achieving FCR. Interestingly, very few call center managers are aware that more than half of their inbound calls are repeat calls and that the CSR is the biggest source of error for not achieving FCR or the true impact that repeat calls have on their Csat, CSR job satisfaction and customer retention. The questions that SQM is often asked are, “how can I get my CSRs to improve their FCR and Csat performance or how to reduce customer defections?” The answer is to implement the VOC Performance Management System.

SQM has found that call centers that have implemented the VOC Performance Management System have improved their FCR performance by as much as 12% points. This improvement can take place in 30 days or less. For the average call center SQM benchmarks, a 1% improvement in their FCR performance equals \$276,000 in annual operational savings.

It has been SQM's experience that implementing the VOC Performance Management System initiative has the quickest and the biggest impact on improving FCR performance more so than any other FCR initiative.

It is clear from our research, call centers need to improve their FCR and call resolution performance in order to protect customers from leaving the organization as a result of their call center experience. Figure 2 shows for the call center industry, on average, 45% of customers will tell someone about their experience calling a call center and on average will tell 1.2 people. For customers who experienced FCR, 41% will tell someone and on average will tell 1.1 people. However, 74% of customers whose call was unresolved and who were very dissatisfied with their call center experience will tell someone about their poor call center experience and on average will tell 5.2 people. This is the basis of SQM's message that the call center's main purpose should be about protecting existing customers from leaving the organization. SQM's research shows that the average customer's experience calling a specific organization's call center consists of a 4 to 6 minute call that takes place only 3 times or less a year. Given that most customers call a specific call center infrequently with a short call, a CSR has few opportunities to make a great impression, to resolve their call and to retain their business.

Figure 2: Percent and number of people customers told about their call center experience

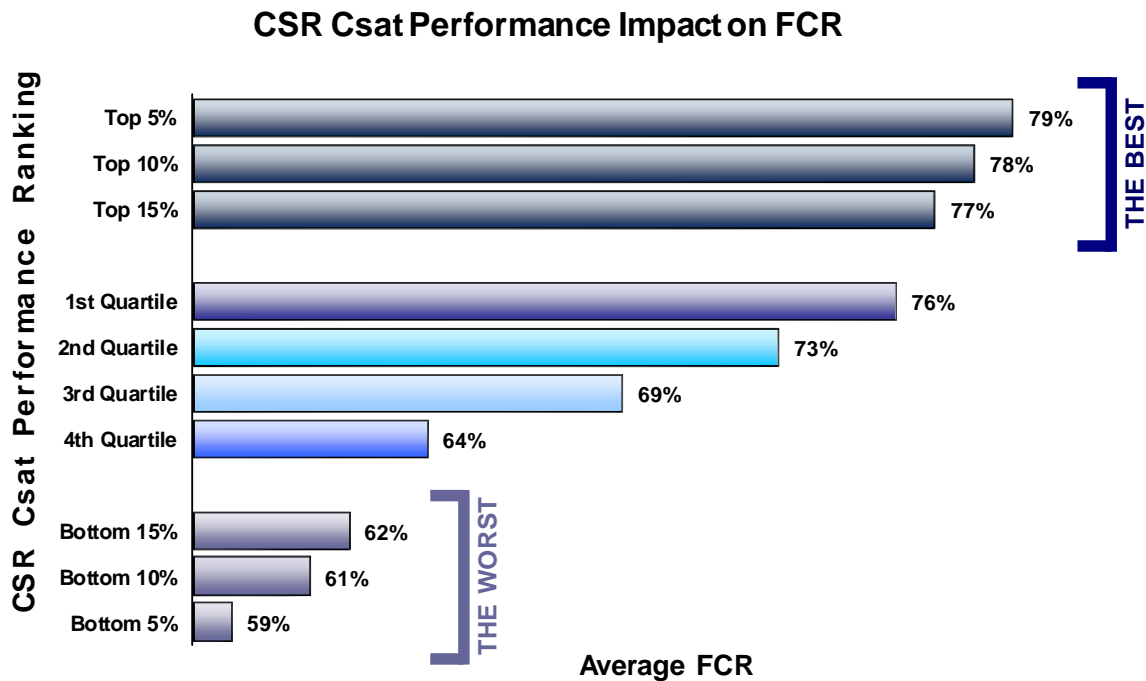
	% of Customers Who Will Tell Someone	Average Number of People Told
Average	45%	1.2
FCR	41%	1.1
Unresolved	58%	2.6
Unresolved and Very Dissatisfied	74%	5.2

While you should use the VOC Performance Management System at all levels and jobs in the call center, this white paper will focus on CSRs. The reason why this white paper is focused on CSRs, as most call center managers know, is that CSR costs represent 65% to 75% of the call center's annual operating costs. Also, as previously mentioned, the CSR is the biggest source of error for not achieving FCR. So, making modest improvements in reducing repeat calls represents enormous financial returns and most importantly, protects customers from defecting to other organizations.

Many call centers that SQM consults with claim they are getting the most from their CSRs. However, based on SQM's research, we dispute that claim. Our call center benchmarking data indicates a profound difference between the best 15% CSR performers and the worst 15% CSR performers for their CSR Csat performance and the impact their performance has on FCR.

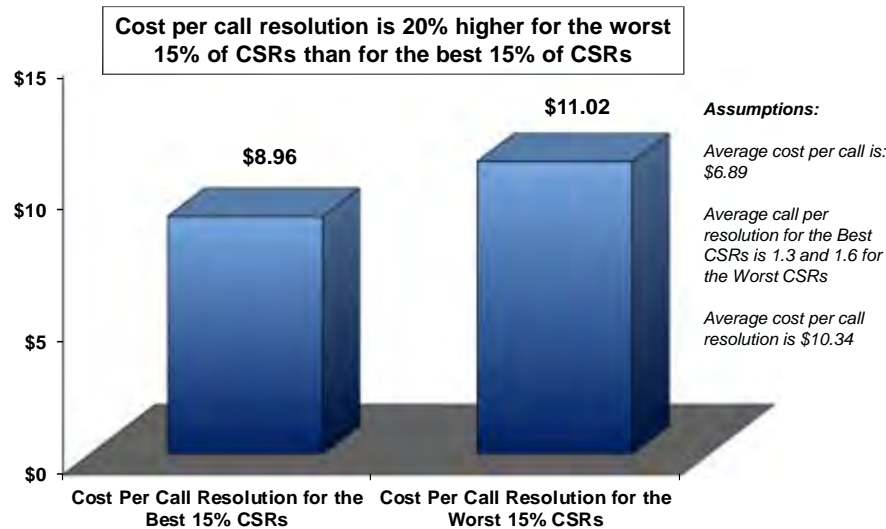
Figure 3 shows CSR Csat performance ranking impact on FCR. Based on their Csat performance ranking, the best CSRs had an average of 77% FCR performance, which is a very impressive rating. At SQM, we consider 80% FCR performance to be at the world class level. Only 5% of the 450 call centers SQM benchmarked in 2010 were able to achieve 80% or higher FCR performance. Comparatively, based on their Csat performance ranking the worst CSRs had an average of 62% FCR performance. **The differences between the best CSRs and the worst CSRs for FCR performance is 15%.** Interestingly, for world class call centers, the difference between the best and worst CSRs is 10% for FCR performance, which is still too high. For 3rd and 4th quartile call centers it is not uncommon to see a 30% to 40% difference between the best and worst CSRs for FCR performance.

Figure 3: CSR Csat performance impact on FCR



SQM's research shows that for the call center industry, the average cost per call is \$6.89. *Cost per call resolution* is different than *cost per call* because it factors in cost and how many calls it took for the customer's call to be resolved. Figure 4 shows the average cost per call resolution for the best CSRs ($\$6.89 \times 1.3$) are \$8.96 and for the worst CSRs ($\$6.89 \times 1.6$) is \$11.02. The average cost per call resolution for the best and the worst 15% of CSRs is \$10.34. ***The worst CSRs have a 20% higher cost per call resolution than the best CSRs.***

Figure 4: Cost per call resolution



Our research shows that when you improve your FCR, not only do you achieve operational savings but you also reduce customers at risk as a result of their call center experience. For the average call center, customer defection costs represent at least a 5 times greater savings opportunity than the operational FCR improvement savings from reducing repeat calls.

Why should call centers and CSRs worry about customer retention?

For many customers, the call center is the primary, or the only, customer contact channel that they use for the organization's products and services. The call center plays a critical role in helping retain customers, and in most cases, only have 3 or less opportunities a year to help each customer resolve their inquiry or problem. So, the CSR should view each customer call as a unique opportunity to resolve their call and recognize by doing so, they are playing a big role in retaining customers and improving the financial performance of the organization. Listed below are two important customer retention concepts that all CSRs should be well aware of:

Cost of Customer Acquisition: Industry experts estimate that the cost of acquiring a new customer is 5 to 10 times more expensive than it is to keep an existing customer. The weaker your customer retention is the more it affects the bottom line because of the cost to replace the lost revenue with customer acquisition cost.

Customer Lifetime Value (LTV): Is a simple concept. It's based on the total amount of purchases that a customer made or will make, not just one purchase. In many cases your best customers are not the customers who made a big purchase, they are the ones that

keep coming back, year after year. Your most committed customers will only buy from you, recommend you, buy more often and are willing to try new products and services.

Figure 5 shows CSR Csat performance ranking impact on customer defections. Based on their Csat performance ranking, the top 15% of CSRs had an average of 4% customer defections and bottom 15% of CSRs had an average of 8% customer defections. **The worst CSRs cause twice as many customer defections as the best CSRs.**

Figure 5: CSR Csat performance impact on customer defections

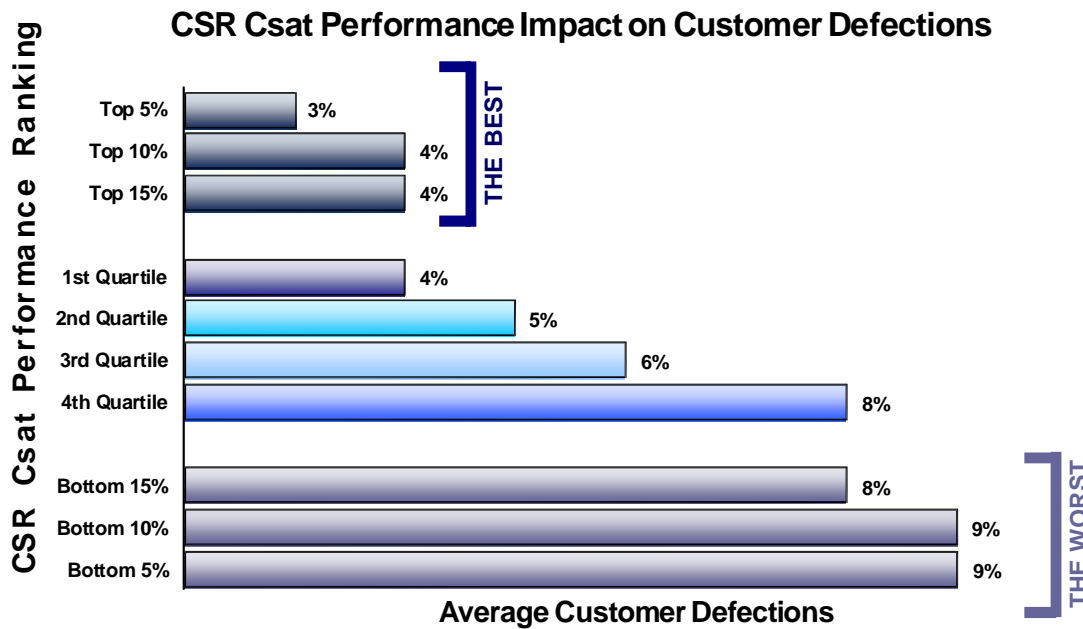
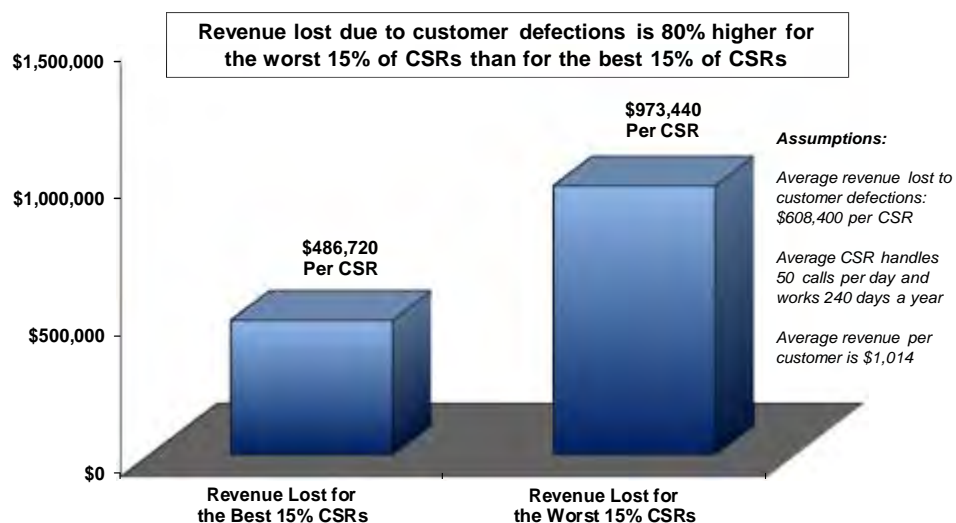


Figure 6 shows the average annual revenue lost as a result of customer defections as \$486,720 per best CSR and \$973,440 per worst CSR. **Revenue lost due to customer defections is 80% higher for the worst 15% of CSRs than for the best 15% of CSRs.**

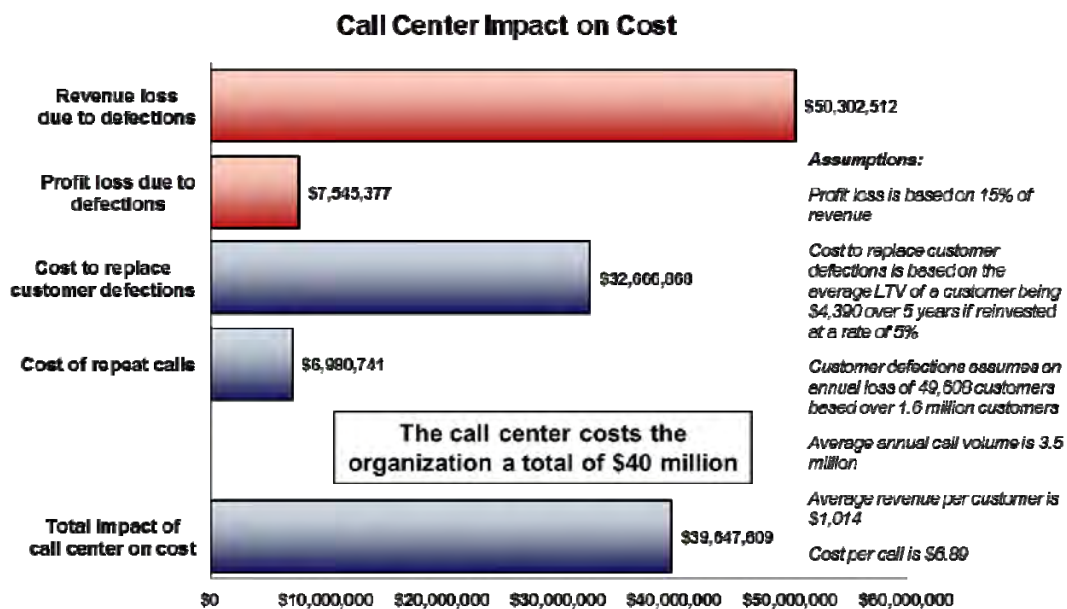
Figure 6: Revenue lost due to customer defections



The real opportunity for call centers to help their organization with their financial performance is to reduce customer defections. It has been SQM's experience that call center management who are focused on reducing repeat calls will improve their operating costs and will reduce their customer defections. However, more effort needs to be placed on identifying customers whose call was not resolved. **Customers whose call was not resolved will be the ones who will defect to your competitor, as a result of their call center experience.** SQM's research shows when customers receive FCR, only 1% of those customers expressed intent to defect. When resolution takes 2 or more calls, 2% of those customers expressed intent to defect but, when the call is unresolved a staggering 8% of those customers expressed intent to defect.

The vast majority of call center managers are not aware of the impact their call center has on the revenue loss due to customer defections. Figure 7 shows the average organization SQM benchmarks loses over \$50 million in revenue as a result of the customer experience when calling their call center. Assuming the organization had a 15% profit loss due to customer defections it would translate to \$7.5 million. The \$33 million cost to replace the customer defections is based on the LTV of the customer being \$4,390 which assumes the customer's lifetime is an average of five years with an annual revenue of \$1,014 being reinvested at a rate of 5%. The LTV for a customer can differ across industries due to acquisition cost and average length of time a customer is with the organization. The cost for repeat calls is \$7 million. This means, the total call center impact costs to the organization are \$40 million on an annual basis. If you consider for the average call center budget that SQM benchmarks the annual operating budget is \$22 million and the call center impact cost is \$40 million, you would have to conclude that the average call center has some big opportunities to improve their cost performance.

Figure 7: Call center impact on cost



When you factor in both customer defection cost and repeat call cost, it would be cheaper for call centers to pay the worst performing CSRs to stay at home and replace them with new CSRs, rather than having the CSRs taking calls. Another question often asked is, "how can call centers reduce their cost impact on the organization?" Again, the answer is to implement the VOC Performance Management System.

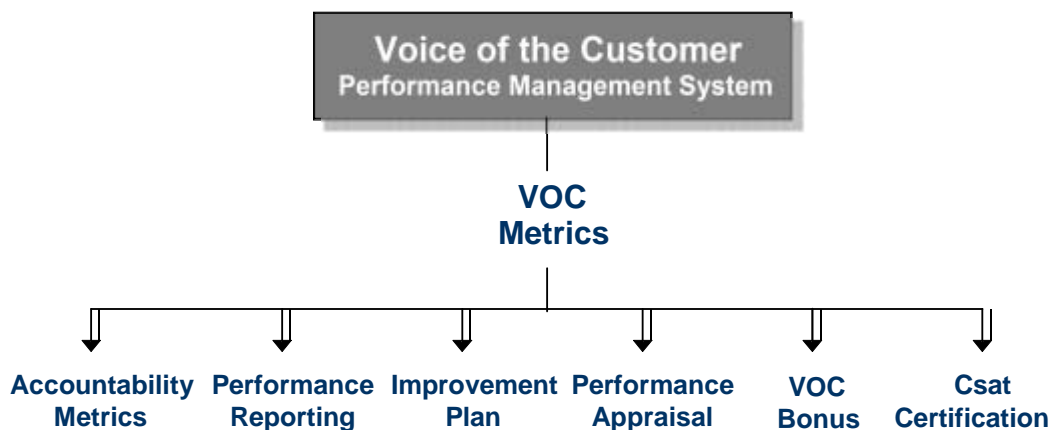
VOC Performance Management System Best Practices

Call center operations depend on their performance management system to operate their call center efficiently and effectively. While most call center managers agree with the importance of their performance management system, there is no general agreement on best practices for a CSR and manager performance management system.

Based on SQM's experience, it has become very clear that the vast majority of call centers do not use the VOC Performance Management System at any level within their call center. The reason for this is because using the VOC for determining the customer service experience as the basis for the call center's performance management system requires a paradigm shift in management thinking. Historically, management has used traditional internal operational metrics (e.g., productivity, sales, QA, organizational metrics, etc.) as the basis for their typical performance management system. ***It is SQM's viewpoint that if call center management is truly interested in becoming more customer-centric, or as the saying goes 'walk the talk' of being customer-centric, using the VOC Performance Management System clearly demonstrates they are committed to improving or providing world class customer service.***

In essence, the VOC Performance Management System is a business practice that enhances the way CSRs and management handle customer calls. The VOC Performance Management System business practice requires a call center to use a post-call survey method (i.e., phone, IVR and/or email) to capture both Csat and feedback about customers' experiences in calling the call center. ***Figure 8 shows the VOC Performance Management System uses VOC metrics such as Csat and call resolution as the basis for creating CSR accountability, performance reporting, improvement plan, annual performance appraisal, base pay, bonus and high Csat performance certification.***

Figure 8: VOC Performance Management System



Accountability Metrics

There are 6 VOC metrics that our call center clients typically use to create accountability at the CSR level. All 6 metrics are used either independently or in some type of combination to create CSR accountability for their VOC performance:

1. Overall Csats with the call center
2. Overall Csats with the CSR
3. Customer's call was resolved
4. Ease of customer effort to resolve call
5. World class call (WCC)
6. Recommend to others

All 6 VOC metrics can be used to predict customer loyalty which is defined as the customer's expressed intent to continue to use the organization's products and services as a result of their call center experience. Figure 9 shows when customers have a positive experience calling the call center, the *recommend to others* and *world class call* metrics are the best predictors of customers who will continue to do business with the organization as a result of their call center experience.

It is SQM's preference to use the world class call (WCC) score for creating CSR accountability for their VOC performance. The WCC score is based on the customer being overall very satisfied (top box response) with their call center experience and with the CSR and their call was resolved. However, for the WCC score you can replace the call center Csats metric with the continue to do business metric. The benefit of this approach is that for the WCC score you are then using 3 distinct metrics (i.e., CSR Csats, call resolution and continue to do business) and this approach puts more ownership on the CSRs for helping retain customers. Either approach is a best practice for WCC scoring. CSRs like both approaches for the WCC scoring because they feel they have control of influencing the customer's experience. Furthermore, a world class call does not mean delighting a customer or exceeding the customer's expectation, instead, it means the customer's call was resolved, they are very satisfied and you retained them. If 75% or higher of your calls meet that criteria you are a world class call center or performer. Only 5% of the 450 call centers that we benchmark are able to achieve that level of performance.

Our research shows call centers trying to exceed customer expectations do not create more loyalty or if they do, it's with a small amount of customers. In our view, it is a much better practice to resolve 95% of customers' calls and 80% on the first call (SQM's world class call standards) rather than trying to exceed customer expectations. Again, if you believe the call center's primary purpose is to retain and satisfy customers, then the WCC metric is a great metric to use.

The *recommend to others* metric is the best predictor of customers who will continue to do business with the organization. CSRs do not like to be held accountable for the *recommend to others* metric because they feel they do not have total control of influencing the customer's viewpoint on that metric. For example, if customers do not like the organization's policies, products or services, the CSRs feel that customers will not provide high ratings for the *recommend to others* metric and, in most cases they are unable to do anything about the organization's policies, products or services. For this reason, we do not advise our clients to use the *recommend to others* metric for CSR VOC performance accountability. However, the *recommend to others* metric is extremely important to report on at the call center performance level.

Figure 9: VOC metrics as a predictor for customers continuing to do business with the organization

Positive Customer Experience...



Figure 10 shows when customers had a neutral or negative experience calling the call center, the *recommend to others* and *dissatisfaction with the CSR* metrics are the best predictors of customers who will **NOT** continue to do business with the organization as a result of their call center experience. SQM's research shows the main reason they want to switch to another organization is the poor service they received from the CSR.

Figure 10: VOC metrics as a predictor for customers **NOT** continuing to do business with the organization

Neutral and Negative Customer Experience...



VOC Performance Management System

You are probably wondering why we did not mention the FCR metric to create CSR accountability for their VOC performance. For the average call center, approximately 52% of calls that CSRs handle are repeat calls and not the customer's first call to resolve their issue or problem. Because it is not the customer's first call to resolve their issue or problem, CSRs cannot be held accountable for FCR performance. It has been SQM's experience that CSRs want to be held accountable for Csat and/or call resolution because they feel they do have control over these metrics. It is also very important to mention that when you improve Csat and call resolution performance you will also have improved your FCR performance because these metrics are so highly correlated. In fact, in most cases, every 1% improvement in FCR equals a 1% improvement in call center Csat performance. Also, call center Csat drops an average of 15% with each repeat call, so the impact repeat calls have on your overall Csat is enormous.

The reason for the did not *achieve call resolution, world class call* and *FCR* metrics being low predictors of customers **NOT** continuing to do business with the organization is that most of these customers had a neutral experience but not a negative experience. Based on a call center experience, customers who had a neutral experience are typically not the customers who will defect rather it is the customers who had a negative experience (i.e., dissatisfaction) who are more likely to defect.

Performance Reporting

CSR feedback is enhanced when the CSR clearly understands what is expected. ***Using a CSR VOC dashboard that is accessible in real time through their desktop is a best practice to ensure that CSRs have a clear understanding of what is expected of them and for what they are held accountable.*** CSR desktop VOC data needs to be updated on an hourly or daily basis and the CSRs need to have access to the VOC through their desktop at any time.

The VOC performance reporting needs to include customer handling data such as customer call back, average handle time, transfer calls, customers put on hold, calls assisted and survey results. All this data is stored in a centralized database and available for the CSRs to view in real time and for their supervisors to use for coaching purposes.

At the CSR level, it is very important to have their dashboard report use only 3 or 4 VOC metrics for which the CSR will be held accountable. If you have too many metrics for the CSR to focus on the awareness of their VOC performance tends to erode. You will know that you have made inroads in creating a customer-centric call center when you ask a CSR about their VOC performance and they can tell you without looking at a report. VOC performance reporting should include the following: their performance; how it compares to their target; the minimum acceptance performance level; as well as how they compare to their peers on their team and the call center. If 85% or more of your CSRs can do this, you are well on your way to creating high awareness and accountability at the CSR level for VOC performance.

Figure 11 shows an example of a CSR VOC dashboard. It specifically shows how a CSR is performing in the current period, 3 month rolling average, year-to-date performance, year-to-date ranking compared to their peers, the CSR target and the minimum expected performance. It also focuses on 4 key metrics: overall Csat with the CSR, call resolution, customer call back (i.e., repeat calls) and world class Csat certification performance.

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It has been SQM's experience that year-to-date ranking is a very powerful aspect of the CSR VOC dashboard reporting. The reason being is that if implemented properly, CSRs are motivated to improve their ranking. The ranking in this dashboard does not identify the performance of CSRs' peers, thus making it a safe approach for sharing ranking. However, the reality is that most CSRs will share their rankings with the other CSRs on their team. We consider it a best practice to show CSR ranking identification for only your top performing CSRs because it is a way to recognize their performance in front of their peers. Also, this approach does not embarrass the lower performing CSRs.

Figure 11: CSR VOC dashboard (example data)

CSR VOC Dashboard						
	Current Period	3 Month Rolling Avg	YTP Average	CSR YTP Ranking	Target	Minimum
Overall Csat with CSR						
CSR	46%	58%	58%	YTP Ranking	75%	60%
Team	68%	64%	64%	5	75%	60%
Organization	59%	60%	60%	15	74%	60%
Customer's Call Was Resolved						
CSR	69%	67%	67%	YTP Ranking	85%	70%
Team	82%	75%	75%	5	85%	70%
Organization	79%	75%	75%	17	84%	70%
Customer Call Back (within 3 business days)						
CSR	22%	23%	22%	YTP Ranking	20%	30%
Team	21%	23%	24%	5	20%	30%
Organization	22%	22%	24%	16	18%	30%
World Class Certification (October 1 - Current Period)						
	# of Surveys	# of WCC	% WCC	Certified?	Target	Minimum Surveys
CSR	20	10	50%	No	75%	25

Improvement Plan

The VOC performance improvement plan is a process for dealing with CSRs who have not performed to the call center's VOC standards. To begin, you need to identify the bottom 15% of your CSRs who are performing poorly on the VOC metrics. Once you have identified this group you need to put them on the VOC performance improvement plan in order to try and help them improve their VOC performance. The goal of the VOC performance improvement plan is to have CSRs understand and buy into the improvement plan, as well as understand the consequences for not improving their VOC performance.

The VOC performance improvement plan consists of 3 steps:

1. Verbal feedback about the VOC performance issues
2. Written warning about the VOC performance issues
3. Termination of employment

Once a CSR has been put on the VOC performance improvement plan, it is typically a 1 to 3 month process from the point of receiving verbal feedback to termination. It is not uncommon for CSRs to receive two written warnings before being terminated. However, it

VOC Performance Management System

has been SQM's experience that very few call centers terminate CSRs as a result of poor VOC performance. The main reasons for this are small survey sample sizes and managers are more comfortable terminating CSRs for not achieving the more traditional internal operational metrics. Terminating employees for poor VOC performance is a best practice because in a customer-centric call center environment, there needs to be both rewards and consequences based on CSR VOC performance. When a CSR is terminated because of poor VOC performance it becomes very clear to the other CSRs that not only is VOC performance taken very seriously, but that poor VOC performance is not acceptable.

As previously mentioned, the worst CSRs create twice as many customer defections as the best CSRs. We have also seen call centers improve their operating costs and their ability to retain customers by terminating CSRs with poor VOC performance. We believe terminating poor VOC performing CSRs is a best practice especially after implementing a VOC improvement plan and the CSR did not improve.

Performance Appraisal

When conducting the CSR annual performance appraisal, it is important that the appraisal form is structured in a way that clearly conveys what is truly important to the call center and what the expectations are for the CSRs. Therefore, the CSR annual performance appraisal should be aligned with the call center's vision and mission statements. For most call centers, the performance appraisal assessment is the basis for CSRs' eligibility for a merit pay increase.

SQM considers it a best practice to use internal operational metrics as qualifiers for determining the CSR's eligibility for a merit pay increase. A CSR would have to be performing at the minimum performance level on all internal operational metrics to be eligible for a merit pay increase. It is important to have the vast majority of CSRs be eligible for the merit pay increase. Therefore, 75% to 95% of CSRs should be able to achieve the internal operational qualifiers (e.g., AHT, QA, customer call back, etc.). If you make the qualifiers too difficult to achieve, it will have a negative impact on your merit pay program.

The actual merit pay increase is based on how well the CSR has performed on the VOC metrics. The typical world class call center that SQM works with uses a maximum of a 5% merit pay increase based on the CSR's performance for the year. The actual merit payout percentage breakdown is 5% when a CSR is performing at the target or above, 3% to 4% when the CSR is performing at the average range and 1% to 2% when the CSR is performing at the minimum range. Again, merit pay increase criteria should be based on only the CSR's VOC metric performance. CSRs who are performing below the minimum range of VOC performance or operational qualifiers, do not receive a merit pay increase.

By making the internal operational metrics the qualifiers and the VOC metrics the actual merit pay increase, you send a clear message to the CSRs as to what is truly important to the call center. You also create a clear path for management to 'walk the talk', rather than 'talk the talk', about being customer-centric.

7 Steps to CSR Performance Appraisal Success

It is critical that your supervisors master the central role they play when giving performance appraisal feedback to CSRs. These 7 steps will help ensure that the performance appraisal feedback is well received and that there are no surprises for CSRs. The 7 steps of CSR performance appraisal feedback are:

1. Establish targets
2. Communicate targets early and frequently
3. Provide ongoing performance reviews
4. Provide feedback opportunities (to and from)
5. Use internal operational metrics as qualifiers
6. Base merit pay increase on VOC metrics
7. Conduct annual CSR performance appraisals effectively

1. Establish targets – All CSRs should be aware of the operational and VOC metric targets as well as the minimum acceptance level. The targets need to be very clear and simple to understand, with only 2 to 5 operational metric targets and only 1 to 2 VOC metric targets. Neither operational nor VOC metric targets should be homogenous for the whole call center. In other words, all CSRs should not have the same targets. CSR targets should be based on different factors such as call complexity, LOBs, call types, skill sets and shift work. The bottom line is that for both operational and VOC metrics, there should be different targets for CSRs. The operational and VOC metrics and targets should be determined by senior management for all CSR groups.

2. Communicate targets early and frequently – It is important, before the start of a new year, that all CSRs are well aware of both the operational and VOC metric targets. Management needs to convey to CSRs how the targets for their groups were established and they need to consistently communicate those targets.

3. Provide ongoing performance reviews – As previously mentioned CSRs need access to their operational and VOC metric performance. The best way to accomplish this is to have a dashboard report that is available on CSRs' desktops. The operational and VOC metric dashboard report should be updated on an hourly or daily basis. The real goal is when the CSR's annual performance appraisal review is conducted there are no surprises for the CSR on their performance.

4. Provide feedback opportunities (to and from) – Just before the CSR annual performance appraisal review, the CSR should have an opportunity to review their performance in the appraisal form and provide their feedback prior to receiving feedback from their manager. Once the manager receives feedback from the CSR, the manager, in turn, provides their own feedback. The advantage with this approach is that both the CSR and the manager have a chance to think about the CSR annual performance appraisal, thus making the session more productive.

5. Use internal operational metrics as qualifiers – Using operational metrics as qualifiers for eligibility for a merit pay increase is a non-traditional approach to the CSR performance appraisal process. SQM considers this to be a best practice because the message it sends to CSRs is that the operational metrics are areas that you expect CSRs to deliver on. Furthermore, you do not give merit pay increases based on areas that you expect CSRs to deliver on.

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6. Base merit pay increase on VOC metrics – Using VOC metrics as a payout for a merit increase is also a non-traditional approach to the CSR performance appraisal process. We also consider this to be a best practice because it sends the message to CSRs that the VOC metrics are important and that a merit pay increase is based on how well the CSR is performing on those metrics.

7. Conduct annual CSR performance appraisal reviews effectively – This can make a big difference on how well the feedback is received by the CSR. There are 4 steps that can assist the supervisor in making the CSR performance appraisal process more effective:

- ① *Private area* – Conduct CSR performance appraisals in a private room (where possible) or at the supervisor's cubical. If you are completing it at the supervisor's cubical, the supervisor should speak just loud enough for only the CSR to hear.
- ① *Eye contact* – Maintain eye contact with the CSR at all times during the CSR performance appraisal process. This conveys the message that you are focused on giving them feedback.
- ① *Voice tone* – When giving feedback be calm, collected, supportive and upbeat. If you are addressing poor performance your voice needs to be firm, but not aggressive.
- ① *Smile* – If a CSR is performing well and you are giving them positive feedback, smile while you are doing it.

VOC Bonus

Again, in a typical call center, approximately 40% of calls that are not resolved on the first call are due to a CSR source of error. **Therefore, creating VOC accountability and a bonus based on CSR VOC performance is one of the best practices to improve your call center's FCR, Csat, operating costs and ability to assist in retaining customers.** Also, there is no better or quicker practice to improve your call center's FCR and Csat performance than to create VOC accountability at all levels, especially at the CSR level. Having CSRs accountable for their VOC metrics performance gives them a sense of responsibility and motivates them to improve their call resolution and Csat performance.

SQM's research shows that the typical call center bonus payout is approximately \$2,000 per CSR, paid out either quarterly or annually with a high concentration (50% to 85%) of CSRs receiving the \$2,000 bonus. A best practice is to use quarterly payout installments and to have the CSR bonus payout distribution weighted towards the higher performing CSRs:

- ① World class performers (15%) = \$4,000
- ① High-level performers (45%) = \$2,000
- ① Average performers (25%) = \$1,000
- ① Lowest performers (15%) = \$0

The percentage distribution is for a typical call center and equates to an average of approximately \$2,000 annual bonus payout per CSR. The main value with this type of bonus payout distribution is that the world class performing CSRs receive a bonus that would be double what they typically would have received with traditional bonus payout practices. High-level performers maintain the bonus payout that they would have traditionally received and average performers receive 50% less. Clearly, average performers are the CSRs that

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have the biggest discomfort with the changes to the payout practices. The high payout for world class performers provides real incentive and motivation for CSRs to strive to improve their performance.

Using internal operational metrics as qualifiers for the VOC bonus payout helps ensure that key performance metrics are not neglected in pursuit of higher FCR and Csat. For example, using an AHT metric as a qualifier for the VOC bonus protects the organization from having to pay a bonus to CSRs who have poor AHT performance. Another example would be CSR schedule adherence, by using this metric as a qualifier it also helps to safeguard the call center's service level performance.

Key elements for an effective bonus payout for CSRs to improve Csat and call resolution performance consist of:

- ① Adherence to schedule and AHT are used as qualifiers to the bonus program
- ① QA compliance (e.g., verification of caller, accuracy of information, etc.) and customer call back performance are also used as qualifiers to the bonus program
- ① 100% of the bonus payout is based on VOC metrics (preferably the WCC metric)
- ① Bonus payout checks are given to CSRs by their supervisor with an explanation of the amount and congratulatory feedback to the top performers
- ① A VOC bonus program requires using post-call customer surveys. Your customer survey practices should have a minimum sample of 5 surveys for each CSR per month. However, the preferred sample size is 10 surveys per CSR per month.

Many of SQM's clients use a balanced scorecard approach for their CSR and supervisor bonus payout. SQM has seen many different versions of the balanced scorecard bonus payout practice. We have found that it has not been effective at motivating CSRs to improve Csat and call resolution performance. The main reason is there are too many metrics, which means the bonus dollars connected to the balanced scorecard metrics become watered down in terms of their importance. With a balanced scorecard approach, the bonus payout distribution that is seen most often is 25% for QA, 25% for AHT and 50% for organizational metrics, which tends to deal with the financial performance of the organization. The bottom line is most CSRs feel that there are too many metrics and they have no control over the organizational metrics.

The CSR VOC bonus should be 100% of the bonus payout. If you have less than 50% of the bonus payout for CSR VOC metrics, there is a good chance your bonus program will have little or no impact on your FCR and Csat performance because the payout is not large enough to positively influence their behavior. Also, do not incorporate other service measures such as metrics from within the QA program for the bonus payout. When you use too many metrics there is not enough of a percentage bonus payout impact to change or motivate CSRs. As a best practice, you need to make it very clear to your CSRs that the VOC metrics are the most important aspects of their job. It is important to convey to CSRs the reason why the internal operational metrics are used as qualifiers for the bonus payout. Again, the reason that needs to be conveyed is that internal operational metrics are viewed as the minimum expectation for the CSR job.

Csat Certification

Of all the recognition practices used for CSRs and supervisors, the one that has been the most effective at helping call centers improve or maintain their FCR and Csat performance is a VOC certification program. Most of SQM's top-performing call centers use a world class customer service certification program for recognizing CSRs. The premise of this type of program is to let the customer be the judge of the customer service they receive and to let them determine if they experienced a world class call.

Having a certification program based on customers who have used your call center is considered to be the fairest, most accurate and most meaningful way to certify your CSRs as world class Csat performers. CSRs have more pride in being certified in this manner than they do being certified by senior managers making a judgment call based on traditional operational metrics.

A Csat certification program requires using post-call customer surveys. Your customer survey practices should have a minimum sample of 5 surveys for each CSR per month. However, the preferred sample size is 10 surveys per CSR per month. We also recommend that CSRs eligible for the world class customer service certification program have a minimum of 25 surveys and be involved in the program for at least 6 consecutive months. Using at least 6 consecutive months of surveying ensures that the CSR is consistent at providing world class customer service.

As previously mentioned, SQM's World Class Call Score is based on 3 key performance VOC indicators. Specifically, we define a world class call as the customer being overall very satisfied (top box response) with their call center experience, overall very satisfied with the CSR and their call was resolved. If 75% of the CSR's required surveys meet that criteria, then the CSR is certified as a world class Csat CSR. Combining the 3 key performance VOC indicators is a well-accepted practice in the call center industry for defining a world class call.

SQM has call center clients that use either the overall Csat with the call center or the overall Csat with the CSR metrics to recognize CSRs' performance. You can use the world class call, overall Csat with the call center or overall Csat with the CSR metrics for your recognition or in-house world class CSR certification program. SQM considers using the world class call metric as a best practice for your in-house world class CSR certification program.

VOC Performance Management Implementation Encouragement

If you decide to implement a VOC Performance Management System, it is important to start with the end-result in mind. As previously mentioned, a best practice for this journey is to have a compelling vision and mission statement and operating principles that can be used toward providing the energy and enthusiasm you're CSRs, supervisors and managers need in order to make the VOC Performance Management System journey successful. When employees have a clear understanding of the destination and how they will travel to reach that destination, it makes the long and difficult journey much easier. It is important that your VOC Performance Management System practices are aligned to your vision and mission statements and operating principles. By having total alignment, your sights will be lifted from the many obstacles, competing projects, politics and problems that you are confronted with

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every day. Any manager can provide reasons or excuses as to why FCR, Esat and Csat cannot be improved or why it has not improved. It takes a strong leader to stay the course for implementing the VOC Performance Management System and to focus the attention of all employees to the future that could be. What I find to be helpful in staying the course for becoming a world class performer or maintaining world class call center performance knows that you are making it better for the customers that call the call center and for making it better for the employees that work in the call center. Very few initiatives that leadership are responsible for implementing have such a profound, positive impact on so many people as implementing a VOC Performance Management System does. When you achieve the world class call center performance level or make great FCR improvements or most importantly significantly reduce customer defections, it will be one of, if not, the proudest achievement in your call center industry career.

Research Methodology

This research is based on data collected from November 1, 2009 to October 31, 2010. SQM's research is based on surveys conducted for over 450 leading North American call centers for the last year. All call center benchmarking studies were based on post-call phone surveys conducted by SQM's in-house TSRs. The Csat research consists of over 1 million surveys of customers who have recently called the call center. Phone surveys were conducted within one business day of the customer's call. Customers surveyed are either business-to-consumer (B2C) or business-to-business (B2B). The customer survey is approximately 3 to 5 minutes and consists of 12 or more questions. The survey is an in-depth survey process, meaning SQM has gathered feedback comments to supplement the ratings response.

For the call centers that participated in SQM's benchmarking studies, the average number of employees working in the call center was 344. The average annual CSR call volume is approximately 3.5 million inbound calls per year. The average organization has approximately 1.6 million customers that the call center serves and operates three or more call center locations. One third of our benchmarking participants use outsourcers. The average annual call center budget was approximately \$22 million. 62% of call centers were from the United States, 34% from Canada and 4% from other international call centers. Of the industries represented, approximately 41% were from health care, 28% financial, 9% telecommunications, 6% energy, 5% technical support, 4% government, 4% insurance and 3% retail. Of the call centers that SQM benchmarks, 10% were B2B call centers and 90% were general consumer call centers. Also, of all the call centers benchmarked, 9% were unionized and 91% were non-unionized.

About SQM

Since 1996, Service Quality Measurement (SQM) Group has been a call center industry leader for improving our clients' operating costs, customer service and retention. We have done this by being operationally excellent at benchmarking, tracking, improving, awarding and certifying our clients' FCR, Esat and Csats performance. Over 70% of our tracking clients improve their FCR and operating costs year over year. For those clients that have improved they have experienced on average a 5% FCR improvement. For the average call center SQM benchmarks, a 1% improvement in their FCR performance equals \$276,000 in annual operational savings. Some clients have improved their FCR performance by as much as 12% within 30 days of implementing SQM's FCR best practices. Our research also shows that when you improve your FCR, not only do you achieve operational savings, you also reduce customers at risk which is typically a 5-10 times greater savings opportunity than the operational FCR improvement savings.

In the last 5 years, SQM has a revenue growth of over 400%, a sky-high client retention rate of 95% and has been recognized by Profit 100 magazine as one of the fastest growing companies in Canada. Profit 100 magazine published a case study on how SQM was able to achieve over 400% revenue growth and a 95% client retention rate. Please see SQM's press release regarding the PROFIT 100 recognition and our client's feedback about the recognition.

SQM benchmarks over 450 leading international call centers on an annual basis and has been conducting FCR Csats 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 database is one of the largest in North America. SQM does business in 11 countries around the globe: Canada, United States, Argentina, Australia, Puerto Rico, India, Philippines, Costa Rica, Mexico, Dominican Republic and Jamaica.

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 call center awards in the call center industry. We have recognized top performing call centers for Csats and Esats since 1998. SQM evaluates over 450 leading international call centers each year such as American Express, FedEx, Marriott, Sears, Canadian Tire, US Bank, Wells Fargo, Rogers, Capital One, CitiFinancial, Scotiabank, Discovercard, Blue Cross, etc.

Our experience in FCR, Csats, CQA and Esats measuring, benchmarking, tracking, evaluating and helping call centers improve are unsurpassed and enable us to provide call centers with best practices. These best practices help our clients reduce their operating costs, improve their customer satisfaction, reduce their customers at risk and increase their opportunities to sell to customers. The bottom line is that our secret ingredient is our clients' success.

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