Call Center Optimization

Utility retail competition is about customer satisfaction, and not just retail prices

"Customers' critical awareness; emancipation and confidence in switching; dissatisfaction; and sense of unpredictability and rising prices are substantially higher than at any former time.

What kept customers loyal in the past may not work so well in future."

Background

Europe is now starting to see the effect of the deregulated utility market.

Competition is increasing and customer loyalty is falling; as a result, switching activity is on the rise.

According to a survey done by VaasaETT, the highest European switching rates are in the UK, Norway, Sweden, Finland and the Netherlands. Followers are Spain, Portugal, Germany, Austria, and not least, Denmark.

The reasons for switching are typically responsive and initiated by unpredictable pricing events and customer dissatisfaction.

Moving towards fully competitive utility markets, utility prices will be more transparent and aligned. In such a scenario, prices are relatively less important as a competitive parameter, which stresses the importance of high customer satisfaction.

Using customer satisfaction to gain market share

Traditionally, customer satisfaction has not been valued highly in the utility sector. Customer service strategies and performance metrics typically favor short-term financial results over long-term visions.

Good customer service has a positive impact on cash flow and business performance.

To improve customer satisfaction, utilities have to redefine how they look at customer service.

Changes in utilities' customer satisfaction will not happen overnight, but those who succeed in this transformation are likely to gain market share.

The goal for the utilities is to simplify their customer value streams, which will bring them dual benefits:

- High customer and employee satisfaction due to fast, simple and transparent end-to-end processes
- Lower cost to serve the customers due to lower front and back office costs

Simplification of the end-to-end processes

Today, electricity and gas are perceived as pure commodities. The only competing parameters are the service offerings and the pricing.

The future will—as mentioned earlier—reward excellent customer service as a competitive advantage.

To secure future earnings and shareholder value, leaders in utilities have to understand how to work proactively to increase customer satisfaction.

In contrast, if a customer initiates a call, expressing a strong desire to solve a problem, poor customer handling is likely to result in an immediate negative outcome.

Successful call centers proactively attempt to deepen relationships with customers, and understand their behavioral patterns in order to gather ideas on how to rectify and eliminate reasons for complaints.

To succeed in simplifying customer end-to-end processes, utilities have to:

- Set customer satisfaction on the strategic agenda
- Change the perception of call centers from non-strategic to strategic business units
- Restructure end-to-end processes from being reactive to proactive and problem solving
- Gather intelligent feedback from customers in order to understand the root causes
- Implement KPIs that advocate customer satisfaction
- Operate simple and few end-to-end processes
- Design IT interfaces, which are intuitive to both service agents and customers.

Focusing on cost to serve to increase margins

In Europe as well as globally, the retail business unit of the utility value chain is unprofitable. The major reason behind this is the fact that the cost to serve the customer is far too high.

The high cost to serve is a consequence of:

- Ineffective and complex call center processes
- High customer contact ratios
- Non-ergonomic IT user interfaces.

Capgemini's analysis indicates that to be competitive, the utilities have to drive down their cost to serve by 30-50%.

Compared to the best new entrants in the utility retail market, the traditional utilities generally have a contact ratio that is between 230-250% higher, as well as contact duration that is 160-180% longer than the best.

A lean utility does not need more than twenty end-to-end business processes to handle billing and services; however, most utilities have more than sixty disruptive processes.

Capgemini's utility call center transformation approach

Capgemini serves the business consulting, information technology and outsourcing needs of more than 75% of the top 20 private and public utilities.[1]

Reinforcing its success Capgemini has been ranked #1 in the utilities sector for consulting services worldwide and #1 in the utilities sector for IT services in Western Europe.[2]

Based on its industry leadership, Capgemini has built a knowledge base and methodology that matches the challenges utility retail businesses are facing today.

Capgemini's call center transformation approach includes:

1. Setting strategic goals
2. Balanced scorecard mapping
3. Root cause analysis
4. Mapping of benefit logic
5. Business case development
6. End-to-end process mapping
7. Benchmarking
8. Transformation journey planning.

The goals for customer satisfaction have to reflect the corporate strategy

Success is based on a clear vision that drives purpose, performance, energy and commitment. Having a powerful vision is key to inspire action. Without it, any call center transformation will dissolve into a list of confusing and time-consuming projects leading in the wrong direction—or nowhere at all.

Start with a picture of a great finish. Suspend judgment on what is possible. Dream the impossible. "What you envision, you can achieve." A real transformation requires reframing and removing old service patterns. The transformational journey is aimed at problem solving in the front end, and not just accepting them and pushing backwards to the backend.

An example of a vision could be: The year is 2012, and you, as the Head of the Retail Business Unit, are interviewed by a journalist from Financial Times. The journalist asks: "Looking back on a successful year, how did you succeed in beating all the customer satisfaction indexes, and reach a 23% market share in your retail market? ...

… what was your strategy to reach these results?

… what did you do different to create customer satisfaction?

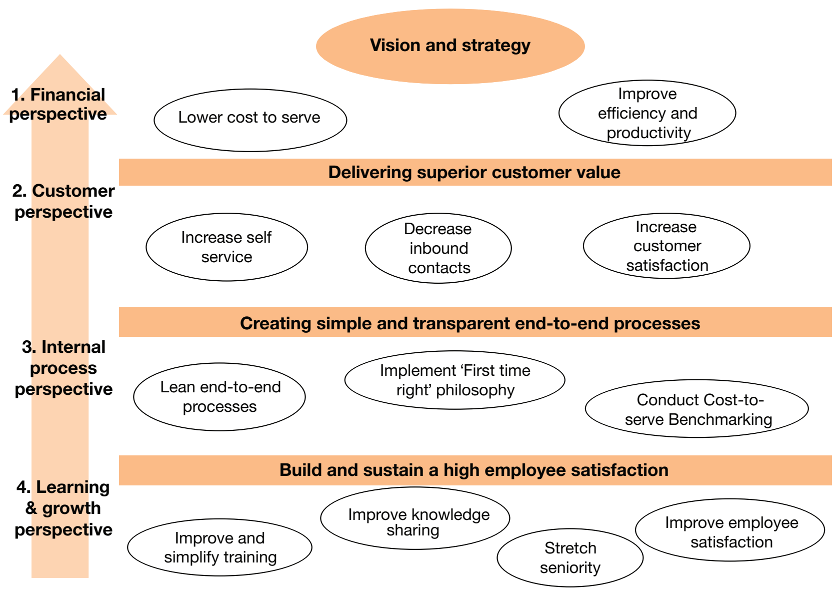
... how did you create the motivation and engagement in the call center?

… what are the critical KPIs and measures that are driving the success?

… summing up, what were your critical success factors?"

1 Platt's 2007 Top250 energy company rankings 2 Gartner/Dataquest August 2007 and June 2008

The balanced scorecard is linking the benefit areas to one ultimate strategy



This exercise should be conducted with the key stakeholders in the call center. The output will help in the following ways:

- Identifying key opportunities and major barriers
- Creating and validating the hypotheses
- Collecting input to build the Balanced Scorecard
- Collecting examples and "war stories"
- Initializing communication around the program and how it will add value to the business
- Identifying the key players, both pro and anti-project.

The objective of this initial exercise is to review the corporate strategy and ensure that the overall vision for the organization is clearly defined for the retail market, and that this vision is progressive enough in order to define a roadmap for future prosperity.

The Balanced Scorecard helps in implementing a strategy

Executives must translate the vision into tangible goals. Building a measuring system and aligning individual and team targets will create commitment and ensure focus on the achievement of objectives, and ultimately the vision.

Together with best-practice input, the Balanced Scorecard translates the corporate strategy and the input from the envision exercise into a tangible call center strategy.

The criteria for the balanced scorecard are:

- **Cause and effect relationships** - every objective should be part of a chain of "cause and effect" analysis points that represent the call center strategy.
- **Linked to financials** - every measure should ultimately be related to the financial results.
- **Performance drivers** - a balance of outcome measures and performance drivers.
- **Measures that create change** - some measures that motivate the organization to objectively change its behavior, performance and processes.
- **Benchmarks and best practices** – the balanced scorecard has to relate to internal and external competitive performance indicators.

Analyzing the root causes behind inbound contacts that the call center receives, creates focus

By analyzing why customers contact the call center, utilities can gain a new way of understanding how to create customer satisfaction.

The key is to analyze all customer contacts within a given period (e.g. a full business week), as well as statistical historical data that is representable for the call center activities.

Utilities must focus on channels, reasons for complaints, the call center's response and affected processes.

When analyzing the root causes, there are two key objectives to bear in mind:

- How to reduce the contact ratio
- How to improve handling efficiency.

Analyzing, grouping and mapping the different root causes will indicate how they relate to the objectives of the Balanced Scorecard, and what initiatives would help in realizing the strategy.

Best in class utility retail businesses have contact ratios of 0.40 (i.e. number of annual contacts/number of customers), which is less than the third of the average traditional utility call center. This can be reduced by:

- Having clear communications (e.g. bills)
- Maximizing customer phone self-service (e.g. IVR and speech recognition)
- Having back-office operational excellence best practices to minimize outbound errors
- Training and empowering staff to move towards "first call resolution"
- Increasing self service through web channels.

In addition, best in class utility retail businesses typically have 30-45% shorter handling times. Traditional utilities can improve their handling times by:

- Optimizing the agent user interface for customer process interaction
- Applying "Push Back" business rules, system driven transactions and autonomous business process configuration templates
- Using IVR routing and a CTI connector to optimize routing to agents and to minimize customer identification time
- Using role-based portal technology to give the "right user interface" to "the right agent" to optimize issue solving support.

Creating a benefit logic diagram establishes the logical links between cost centers, benefit areas and components of the solution

The purpose of developing a benefit logic is to define benefit areas and provide guidelines for opportunity identification.

The benefit logic will be divided into benefit areas. These areas will be the point of focus when developing the business case because of their substantial financial impact.

The benefit logic will provide insight for the design of future processes and IT enhancements.

In the end, the final benefit logic will illustrate how components of a potential solution could lead to a positive cash flow, low cost-to-serve and higher customer satisfaction.

The business case will prove whether a call center transformation journey is feasible

The business case will provide answers to the following questions:

- Why initiate a call center transformation program?
- Can the call center transformation journey be justified?
- What are the corporate, call center and customer benefit areas?
- How should the benefit areas be prioritized?
- What are the costs to get those benefits?
- How strong is the business case?
- What are the risks?

The business case is the financial justification for the program's strategic objectives. Therefore, the financial owner in the client program setup should agree with the setup and approach of the business case. This financial owner is typically the CFO or financial director. Specific numbers (e.g. expected benefits) have to be validated by other people in the organization (e.g. business process owners).

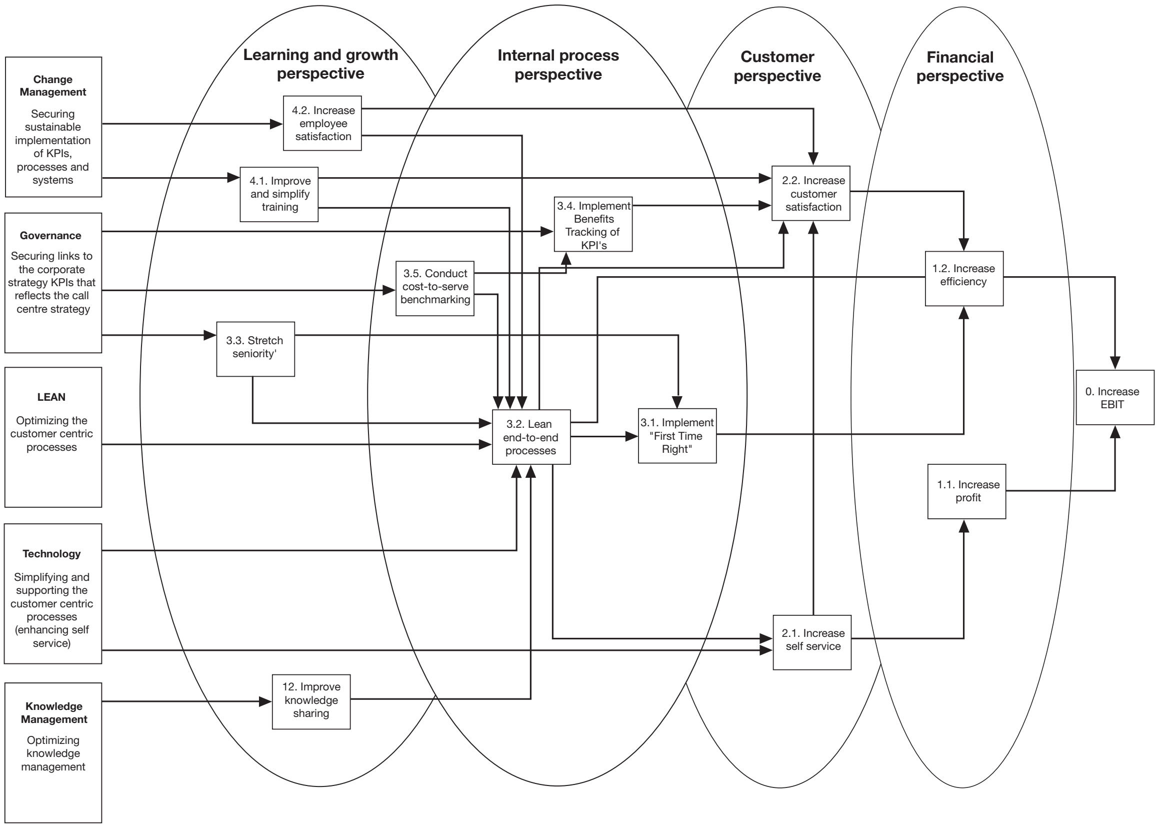
Mapping the as-is customer end-to-end processes provides insight into potential improvement areas

Based on the root cause analysis and the benefit logic, the objective of the end-to-end process analysis is to fully understand how the call center performs and where inefficiencies might exist.

Referring to the call center strategy utilities need to understand how the call center is trying to deliver value to the customer in each customer service process, as well as in the activities that are actually being performed.

The analysis, grouping and mapping of the different root causes will help utilities identify and focus on the core end-to-end processes. By mapping and analyzing free capacity at each end-to-end process, utilities will be

The Benefit Logic illustrates the typical links between cost centers, benefit areas and components of a transformation program in a call center.



able to draw a map of bottlenecks and other sources of waste.

The end-to-end process maps help to confirm and challenge the business case hypotheses—i.e. where are the biggest cost to serve improvement areas? And where would improved performance deliver the greatest customer satisfaction?

Internal and external benchmarking will help set valid goals for performance improvement

By matching the external and internal benchmarks for each end-to-end process, it is possible to set valid key performance targets.

A prerequisite for doing internal benchmarks is an analysis of the end-to-end processes such as, for example, move in/out, change of supplier, bill correction, etc. The purpose of the internal benchmarks is to set goals on a micro level to match internal structures and goals.

The benefit and purpose of the external benchmarks is to compare the more macro cost-to-serve metrics—for example contact ratios, process cycles, contracting, IT expenses, self service, and back office expenses including labor productivity—with those of the low-cost national and international competitors.

Capgemini has a vast directory of best practice processes and key performance indicators, which it has gathered via an international benchmark study. The strength of this benchmark tool is that it is designed to be used by call centers in order to be able to compare and set new targets for service and performance standards.

Focus and priority is key in a transformation journey

Based on the balanced scorecard and the business case, the decision makers now have the justification for deciding which benefit areas to pursue in which order.

It should now be possible to rank the possible performance-improvement initiatives according to their potential for providing the greatest customer satisfaction at the lowest cost to serve.

Typically, initiatives that will rectify problems shared across end-to-end processes are ranked highest due to their potential to improve multiple end-to-end processes simultaneously. Initiatives with less promise or a high degree of difficulty are typically ranked lower.

All the initiatives are mapped in a transformation map to fully understand the priority, time frames and correlations of the different initiatives.

It enables the anticipation of the transformation's impact, allowing the utility to minimize risks and take the right decisions for the transformation journey.

Call center transformation programs are complex, performance–enhancing initiatives that deal with fundamental changes in the way a utility is run.

These programs integrate the dimensions of strategy, structure, processes, people and IT, and therefore require a holistic approach.

A transformation program of this caliber requires top level management commitment and careful scoping and planning. In many cases, a journey like this—towards a best in class competitive retail practice—represents a radical and cultural change for a typical traditional utility company.

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Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience® - and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of EUR 8.7 billion and employs over 86,000 people worldwide.

With 1.15 billion euros revenue in 2007 and 10,000+ dedicated consultants engaged in Energy, Utilities and Chemicals projects across Europe, North America and Asia Pacific, Capgemini's Energy, Utilities & Chemicals Global Sector serves the business consulting and information technology needs of many of the world's largest players of this industry.

More information about our services, offices and research is available at **www.capgemini.com/energy**

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