



## CFI Group **Insights** for Summer 2007

Welcome to the summer 2007 issue of CFI Group Insights.

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### **New Study Identifies Major Influences on Call Center Customer Satisfaction**

#### ***CFI Group Launches the Call Center Satisfaction Index (CCSI) Linking Satisfaction to the Bottom-line***

Call centers earned a new level of industry respect for their impact on financial performance with the release of the inaugural Call Center Satisfaction Index (CCSI) in June, 2007. The CCSI study looks at the most important aspects of the customer experience with call centers, current levels of performance, and the extent of the call center's impact on the future behavior of customers. Analysis of the CCSI reveals noteworthy evidence that call centers are more than a necessary cost of business -- they are a critical point of customer engagement powerful enough to secure loyalty and drive financial outcomes.

CFI Group applied the patented methodology of the American Customer Satisfaction Index (ACSI) explicitly to call centers across six major industries. Results demonstrate that call center performance varies considerably by industry. Call Center Satisfaction scores range by 16 points from Catalog Retail (80) to Personal Computers (64).

"This broad range indicates that contact center operations are still evolving," notes program director and partner Sheri Teodoru. "The industry is in need of much attention when it comes to satisfying customers."

Industry	Satisfaction with Call Center* (CCSI)	Overall Industry Satisfaction** (ACSI)
AGGREGATE OF ALL INDUSTRIES	71	75.3
Catalog Retailers	80	74 <sup>+</sup>
Banking	77	77
Cell Phone Services	69	68
Cable & Satellite Television	68	62
Insurance	68	75 <sup>++</sup>
Personal Computers	64	75

\* As measured by the Call Center Customer Satisfaction Index

\*\* As measured by the American Customer Satisfaction Index (ACSI), using the same methodology.

+ Score represents ACSI for retail industry overall, not just catalog retailers

++ Includes health, P&C, and life insurance

Satisfaction scores are modeled to comply with the ACSI's 100-point scale, allowing for comparison between the overall measures of firm performance (the ACSI) and performance as it relates to call centers (the CCSI). As the table above displays, industries with higher Call Center Satisfaction scores also have higher ACSI scores overall (retail and banking), while lower scoring CCSI industries tend to have lower ACSI scores as well (cell phone service, cable and satellite television, and insurance). A notable exception is the PC (Personal Computer) industry, which scores above average in the ACSI, but shows the lowest CCSI of all industries measured. Notably, Personal Computers decreased by 2.6% in the ACSI release this quarter.

Current CCSI results investigate the financial impact of three crucial factors driving customer satisfaction with the call center experience:

- problem resolution
- customer service representatives
- quality of offshore services

Problem resolution has the greatest leverage on satisfaction across all industries measured. Customers with unresolved issues average 46 satisfaction points lower than those who achieved problem resolution, and are eight times more likely to defect (see table below). Interestingly, nearly a quarter of callers to PC call centers hang up with their issue unresolved, resulting in low scores for PC customer service representatives and a low CCSI for the PC industry. This is in stark contrast to catalog retailers who have only 9% of customers ending the call with an unresolved issue, and have subsequently high CCSI as a result.

	Percent of Callers	Satisfaction	Likelihood to Defect	Likelihood to Recommend
Customers whose issue <b>was</b> resolved	78%	81	5%	79%
Customers whose issue <b>was not</b> resolved	18%	35	43%	17%

As the front-line employees responsible for resolving customer issues, customer service representatives are critical to the success of the contact center. Similarly, off shoring is also an issue for the contact center industry, but this is primarily because off shore contact centers do a poor job resolving customer issues.

#### *The Risk*

The CCSI results confirm the financial implications of call center performance on companies as whole. Nearly one-quarter of all callers consider leaving a company as a result of their experience with a call center. Not only are firms likely to lose the business of those dissatisfied callers, 76% of these dissatisfied customers are out there spreading the negative word to family and friends (and probably anyone else who will listen).

In closing, it should be abundantly clear that companies have a bit to learn (and improve) by listening to the voice of their customers. After years of refining technology to improve efficiency in the call center, it is time to talk to the customers to get a read on the effectiveness of these actions.

To learn more about the CCSI results, customer service representative ratings, and the effect of offshore call centers, see the white paper: [“Satisfaction with Contact Centers Drives Customer Loyalty”](#) by Sheri Teodoru. Teodoru sheds light on the significant role of contact centers in securing customer loyalty, promoting positive recommendations, and netting a return on the company’s investment.

## Customer Satisfaction's Impact on Competitive Advantage

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Customer satisfaction is the key to competitive advantage. A recent CFI Group study of the telecom and cable industry shows that customer satisfaction is playing a major role in the ongoing battle for customers of bundled services, such as phone, video and broadband Internet access. The study, [“How Customer Satisfaction Impacts Telecom and Cable’s Battle for the Consumer,”](#) found that cable companies lag telecom companies in customer satisfaction in all areas where the two offer competing services.

In an attempt to expand their bundles and make them more attractive to consumers, telecoms have partnered with satellite TV companies, while cable companies have aligned themselves with independent wireless carriers. The University of Michigan’s American Customer Satisfaction Index (ACSI) indicates that satisfaction is higher for satellite TV relative to cable TV and also higher than the wireless carriers partnering with cable companies.

The research suggests that telecoms have an opportunity to take advantage of their relatively superior customer satisfaction. “That’s not to say that cable companies are out of the game. They’re just not accustomed to this kind of competition and have a lot of work to do if they want to keep customers from defecting,” said Phil Doriot, Program Director for CFI Group and co-author of the report.

Over 20 percent of households surveyed that do not currently purchase a bundled communications package are highly likely to do so in the next 12 months, representing an enormous opportunity for well positioned companies to steal customers from rival service providers. Of households surveyed that are highly likely to purchase into a bundle, telecom holds a 10-point advantage over cable with 54% of customers preferring a telecom provider and 44% preferring to purchase services from a cable company.

Not everything tilts toward the telecom companies, however. CFI Group also investigated consumer awareness of Voice over Internet Protocol (VoIP), a cable offering, and Internet Protocol TV (IPTV), a telecom offering. These represent two new technologies that will allow cable and telecom to compete on the other’s home turf. Currently, VoIP awareness far exceeds IPTV awareness (72% to 35%). Telecom companies are aggressively rolling out new Internet Protocol TV (IPTV) and broadband services, while cable companies are aggressively promoting Voice over Internet Protocol (VoIP). Clearly, telecom companies will need to close the gap in awareness to fully leverage the customer satisfaction advantage they hold over cable companies and attract more customers with this additional bundled product.

[Click Here](#) for the full report.

## Survey Responses Provide Reliable Forecast of Customers' Future Intentions

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Xavier Quenaudon  
Program Director and Partner  
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### ***A Legitimate Question***

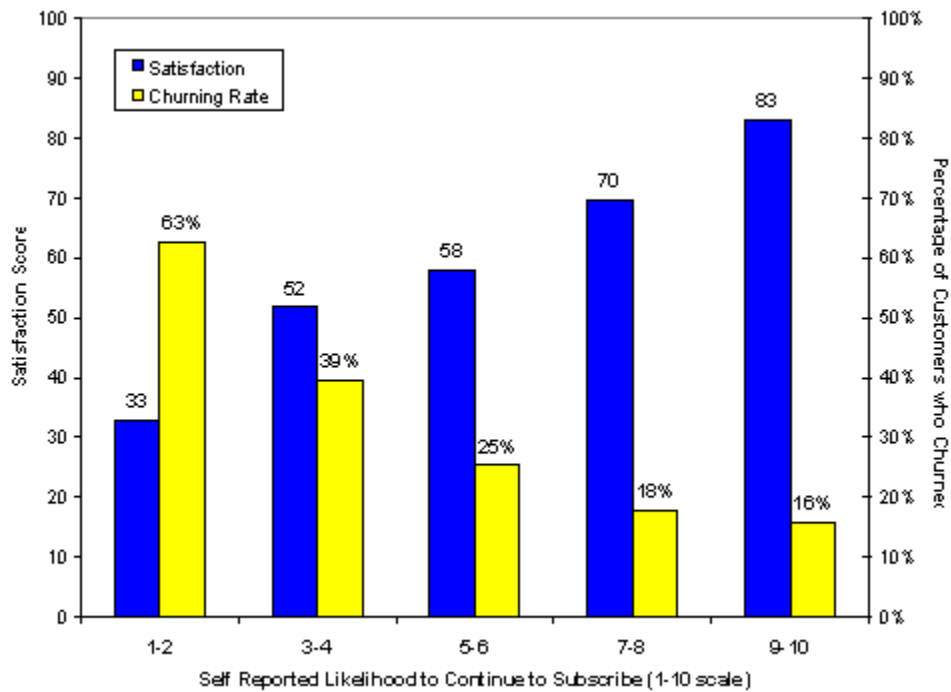
Most Customer Satisfaction surveys include at least one question about customers' future (re)-purchase intentions – whether it is the renewal of a service or subscription, or a more discrete purchase decision (next time they are in the market for a car, shop for travel, or choose a shopping destination). One question CFI Group consultants often get from their clients is whether they should in fact pay attention to their Customer Retention score (AKA self-declared Retention), which is typically based on results from measures similar to the examples above. After all, they ask, “can you really expect customers to tell you what they intend to do 6 months from now?”

### ***How Can You Find Out?***

This is a legitimate skepticism. One way to dispel it is to compare the survey responses to actual customer behavior for each person who participated to the survey. Usually it is necessary to wait between six and twelve months before conducting such an analysis, simply because customers need to have been in the situation to make such a decision before their “actual” behavior can be assessed.

CFI Group provides a data file with the survey respondents' identification (typically, the account or customer number). For each respondent, our client indicates whether or not the respondent is still a customer. CFI Group then appends this new variable to the initial data set, and compares the answer each respondent provided when asked about “their likelihood to renew a subscription” or “likelihood to choose Brand A for their next purchase,” to their actual decision.

Respondents are broken down in groups based on their answer to the survey question (usually asked on a 1 to 10 scale). CFI Group can then assess what percentage of respondents within each response group remained “loyal” to our client. For instance, what percentage of those respondents who had answered a “7” on the survey question continued to choose Brand A?



In this case, we see that 63% of the survey respondents who had answered a “1” or a “2” as their likelihood to renew their subscription with Company X had actually churned within the next year – or that only 37% of these customers had remained loyal. On the other hand, 84% of those who had answered a “9” or a “10” had renewed their subscription.

### ***Implications for Your Business***

The CFI Group has conducted this type of analysis on many occasions for a variety of clients, and the same pattern consistently emerges. ***Specifically, we have found that over 50% of the respondents who answer anywhere between one (1) and four (4) on the “retention” question during the survey are typically lost within the next 12 months.*** If any of these respondents turn out to be a customer your organization wants to hold on to, it is important to have systems in place that allow you to identify such at-risk customers and follow-up with them before it is too late.

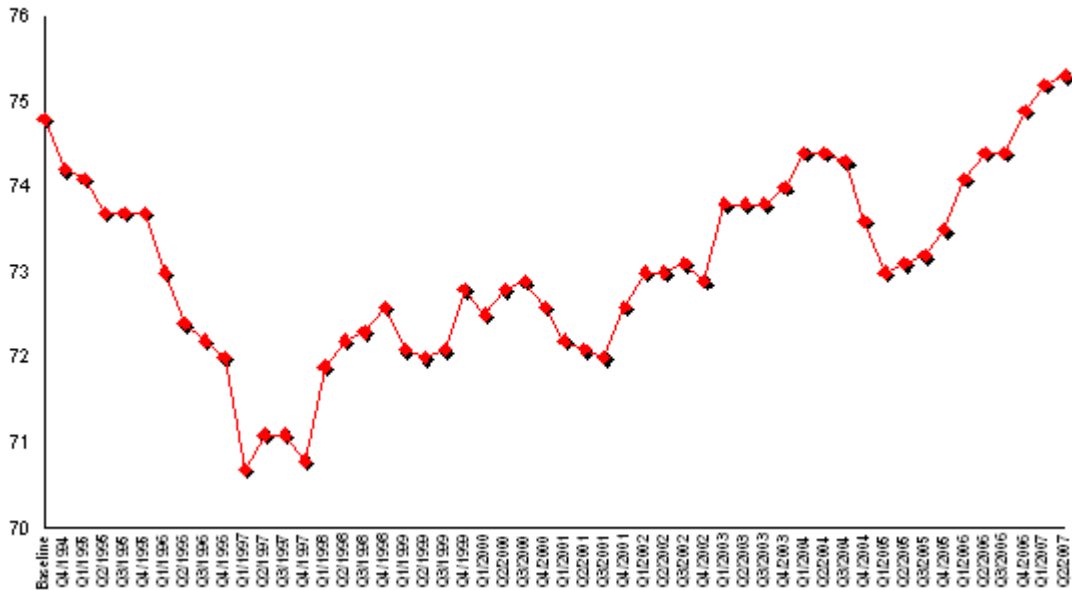
Such “descriptive” analysis is often only the first step in better understanding not only who are your customers most at risk, but also what is driving them to look for other options. Integrating actual (behavioral) data with survey responses provides a formidable source of information to conduct further analyses that will help your business better understand what motivates your customers to leave or stay with your organization.

## **ACSI: Customer Satisfaction Flattens**

### **Q2 2007: Manufacturing Durables, E-Business**

The American Customer Satisfaction Index (ACSI) again shows a flattening of improvement with a marginal increase of only 0.1% to an overall score of 75.3 in the second quarter of 2007. The index has risen for nine consecutive quarters – the longest period since measurement began in 1994.

## ACSI 1994 to Q2 2007



As the improvement in customer satisfaction began to level off at the beginning of the year, so too has consumer spending. Despite an economy that grew at 3.4% during the second quarter, consumer spending was unusually weak, dropping from 3.8% in the first quarter to just 1.3% in the second quarter. This is much lower than usual and also lower than predicted by overall customer satisfaction.

When consumer spending drops, it often rebounds the next quarter. Much will depend on the effect of the slumping housing market. Household savings are low and fell to 0.6% in the second quarter. But the jobless rate is low, corporate profits are healthy, and there has been some income and wage growth as well. The ACSI forecast of consumer spending growth for the second quarter is in the range of 3.1% to 3.9%. To the extent that the effect of debt service dampens demand, spending growth could be as weak as 2.8%. If that turns out to be the case, GDP growth would most likely be anemic.

For more information on the ACSI and its most recent release, visit [www.theACSI.org](http://www.theACSI.org).