

e-Service Networks For Enterprise e-Businesses: Quantifying The Return On Investment In Online Customer Care

A white paper presented by Motive Communications, Inc.



Executive Summary: The e-Service Imperative For The Enterprise e-Business

Companies have two choices today when defining their businesses: offer the customer a low-cost commodity service or a high-value service. With the arrival of the Internet and the ensuing e-business adoption by established enterprises, this decision has been forced to the forefront of corporate agendas, as companies seek to maximize the dramatic gains of e-business while minimizing the risk of failure.

Enterprises with broad customer bases, high-value transactions, and distributed expertise clearly recognize their ability to deliver a high-value service. What is less clear, however, is how to deliver this high-value service online when they move their businesses online. Finding the right answer to this question is imperative, as recent research from Forrester indicates 75% of B2B e-business efforts will fail without a customer-centered and service-oriented approach.¹ Businesses serving high-value consumers face similar peril. For example, a vast majority of financial services web sites fail to weave in customer service into their user experience and 94% of these sites can't direct customers to the precise answers for their questions.² The successful alternative in both cases is clear: serve the customer online.

In considering an approach to successfully deliver a high-value service over the Internet, it's important for businesses to determine the return on their investment in online customer care. Motive Communications has conducted extensive research in this field to quantify the potential gains. This white paper examines the return on investment (ROI) of e-service networks for enterprise e-businesses, specifically:

- savings from self-service efficiency gains.
- savings from collaborative service efficiency gains.
- profits from improved customer loyalty.

e-Service Networks Deliver Significant Gains For The Enterprise e-Business

Delivering high-value service with an e-service network yields significant gains for the enterprise e-business in both expense reduction and revenue growth. Together, these provide a powerful, measurable impact on profits. An e-service network reduces expenses via in-band and context-based service delivery and fulfillment that enables self-service call avoidance and collaborative service call optimization. It delivers profits through the powerful impact of improved customer loyalty that arises from an improved user experience and ability to complete e-business transactions and interactions.

Because e-service networks are highly scaleable, they help avoid significant investments associated with less scaleable approaches. In other words, as the e-business grows, the contact center doesn't.

Savings From Self-Service That Helps Customers Help Themselves

The first step in realizing gains with an e-service network is to consider those that result from helping the customers help themselves. Motive's extensive research on e-business service requirements from over 35 companies revealed that 30% represents a typical target of service incidents that can be addressed via self-service, provided that the e-service approach is context-based, is guided by business rules, and operates with reusable answers.³ If it is not, the percentage drops to less than 7%. This results because generic approaches find the

¹ Sonderegger, Paul, Harley Manning, Randy Souza, Hollie Goldman, John Dalton. "Why Most B-To-B Sites Fail," The Forrester Report (December 1999). Available from Forrester Research, Inc.

² Shevlin, Ron, Paul Hagen. "Financial Web Sites Underserve Customers," The Forrester Brief (August 23, 2000). Available from Forrester Research, Inc.

³ Study participants included e-business executives, contact center managers and IT managers at Fortune 500 enterprises and net markets, e.g. 3M, AT&T, Citicorp, Dell, Dynegy, Freemarkets, GE, Merrill Lynch, Motorola, Reuters, Suppliermarket.com, Texas Instruments.

relevant answer less than a quarter of the time—even when the exact answer exists for their specific question.⁴

A complete self-service approach achieves the following three objectives:

1. Serve proactively-8% of service incidents (26% of self-service incidents).

Eliminates calls by targeting information directly at the user, notifying them of a new opportunity or a problem before they have a chance to call and inquire themselves.

2. Answer questions-16% of service incidents (53% of self-service incidents).

Eliminates calls because an answer is targeted based on the context of what they user is doing at the time a question arises. This encompasses simple, repeatable “how do I” questions such as “How do I complete this line on the form?”

3. Solve problems-6% of service incidents (21% of self-service incidents).

Eliminates calls by guiding the user through the appropriate solution that they implement themselves. These “something doesn’t work the way it should” calls typically arise when a customer has a problem with a web application or client download.

Because an online presence increases the enterprise’s accessibility to its customers by several orders of magnitude, these three approaches can help avoid a significant number of calls.

We have modeled an electronic parts distributor, Acme Distribution Services, which anticipates taking 30,000 calls/month once \$100 million (10%) of their \$1 billion business is online.⁵ Exhibit 1 illustrates the typical expected savings from in-band context-based self-service for this organization. Simply multiply annual service incidents by the percentage that could be addressed with a self-service approach. Multiplying by the current cost/call for simple calls yields annual savings. Research shows the typical telephone-based call costs \$33, with \$10.65 for calls that could be addressed by self-service and \$42.60 for calls that can be addressed collaboratively (the latter case is addressed in Exhibit 2).⁶

Exhibit 1: Savings from in-band, context-based self-service

Average Number of Service Incidents/Year	360,000
x % Self-Service	30%
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Self-Service Incidents	108,000
Average Cost/Call	\$10.65
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Annual Savings	\$1,150,200

Savings From Collaborative Service Across A Network Of Experts

The second step in realizing gains with an e-service network is to evaluate the gains that arise for the majority of calls, which are too complex or unique to be accommodated through self-service. In e-business interactions or transactions, there are many instances that do require the involvement of a contact-center employee, a business expert, or a partner’s expert. The objective here is to handle the service request as efficiently as possible, while also delivering exemplary service. This approach saves time for both the customer and the company, thereby speeding resolution.

⁴ Hagen, Paul, Harley Manning, Yolanda Paul. “Must Search Stink,” The Forrester Report (June 2000). Available from Forrester Research, Inc.

⁵ Various reports estimate that 10%-20% of all transactions within the global economy will be conducted online by 2004. Some industries such as electronics and financial services will be on the order of 60%-70%.

⁶ Hagen, Paul, Harley Manning, John Dalton, Sadaf Roshan. “Tier Zero Customer Support,” The Forrester Report (December 1999). Available from Forrester Research, Inc.

Motive's research has shown that there are four key steps in collaborative service:

- Identify user and their context
- Investigate the problem or question
- Collaborate with the user and experts to discuss the problem or question
- Solve the problem or answer the question

The current process, by which an end user and a contact-center expert, process expert, or business expert interact throughout these steps, is error-prone due to the frequency and type of communications. These communications are ambiguous, due to the imprecision of problem descriptions, and also time-consuming, due to the nature of the conversations and the difficulty in tracking down people. Because the average B2B transaction consists of 25 interactions, there are many opportunities for service breakdowns within this process.⁷

Motive learned that automating this process is the single largest and least exploited opportunity in e-service. Motive's research, and that of analysts, shows that in-band, context-based service delivery and fulfillment can reduce by 30% - 50% the time required to address these more complicated problems.⁸ Contextual information allows problems and questions to be routed precisely to the correct expert who can help a customer and eliminates time-consuming and costly "What were you doing?", "Which screen are you on?" questions. The time- and cost-savings for the enterprise e-business accumulate by delivering the right information to contact-center analysts and experts, saving and classifying answers and solutions (allowing self-service reuse), enabling external experts to participate in a solution and moving deep expertise online. Because the simple problems are solved through self-service, experts now focus on the most difficult problems, thereby greatly increasing their efficiency and value-add to the customer.

Exhibit 2 outlines the savings to be achieved from a collaborative service approach using contextual information modeled for the same firm. The average cost per call is four times higher than the cost used in Exhibit 1. This reflects the nature of these calls: they are complex, take longer to solve, and often require involvement from more expensive experts.

Exhibit 2: Savings from in-band, context-based collaborative service

Average Number of Service Incidents/Year	360,000
x % Assisted-Service	70%
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Collaborative Service Incidents	252,000
Average Cost/Call	\$42.60
Improvement (<i>typically ranges from 30%-50%</i>)	40%
Improved Cost/Call	\$25.56
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Annual Savings	\$4,294,080

⁷ "The Technology Primer," Volume VII, May 2000. Morgan Stanley Dean Witter Equity Research, New York, NY.

⁸ Allard, Ken. "Customer Service: Strategies for Cost-Effective Implementation," Jupiter Communications (September 1998).

Profits from Improved Customer Loyalty

The connection between customer satisfaction, customer retention, customer loyalty, and profits is well documented and well understood throughout most industries. Research from the Harvard Business School has shown that a 5% increase in customer retention can lead to a 25%-to-125% increase in profits from referrals, reduced operating costs, pricing premiums, and increased purchases.⁹ Sample effects within various industries are highlighted in Exhibit 3. Unfortunately, the converse is true. A dissatisfied customer is likely to tell up to 10 people about their bad experience; thereby, greatly undermining a firm's customer acquisition and retention strategies.

Exhibit 3: Profit Impact from 5% Increase in Customer Retention Rate Across Sample Industries

Industry	Profit Impact of 5 Percentage Point Customer Retention Rate
Business Banking	35%
Credit Cards	125%
Insurance Brokerage	50%
Industrial Distribution	45%

Designing service into the e-business strategy and designing it around the customer's needs can have a profound impact on profits. What does it take to increase customer retention by five percent? One of the most straightforward approaches is to make it simple for a customer to accomplish their online objective. The ability to complete a transaction provides a vivid example, as 70% of all transactions are currently not completed. If switching costs are high, the customer who abandons a transaction is likely to remain a customer but revert to costlier off-line methods. If switching costs are low, it's quite likely the customer will move on to alternative suppliers to find the product or service that they seek. Put simply, making it easy for a customer to conduct business yields huge rewards.

The customer loyalty effect is illustrated in Exhibit 4. Consider an e-business initiative that is targeting \$100 million in revenues at maturity. A 5% increase in customer retention will yield a 45% profit increase in this industry. Applying this gain to a 10% profit margin yields a 4.5% improvement in profit margin or \$4.5 million in additional profits.

Exhibit 4: Profit impact from 5% increase in customer-retention rate

Anticipated e-Business Revenues at Steady-State	\$100,000,000
Profit Margin at Steady-State	10%
Profit	\$10,000,000
Profit Impact of 5% Increase in Customer Retention Rate	45%
Profit Impact	\$4,500,000

⁹ James L. Heskett, W. Earl Sasser, Jr., Christopher W.L. Hart, *Service Breakthroughs: Changing the Rules of the Game* (New York, NY: The Free Press, 1990), 32-33.

e-Service Networks For Enterprise e-Businesses: Quantifying The ROI

Adding the savings and profit impact of the three items discussed above yields nearly \$10M in profit impact for Acme Distribution Services:

Savings/self-service efficiency gains	\$ 1,150,200
Savings/collaborative service efficiency gains	\$ 4,294,080
Profit impact/customer loyalty	\$ 4,500,000
Total profit impact	\$ 9,944,280

The savings and profit impact of e-service networks for online customer care are notable. This matches our intuitive understanding of customer service and the success reaped by companies that excel in providing excellent service.

Choosing An Approach To Online Customer Care

It is extremely important to remember that this analysis has been constructed around a comprehensive e-service network for online customer care. Unlike the many point products that address particular aspects of e-service, an e-service network is designed for the customer experience, spans the entire enterprise, and covers all service issues. Results for the enterprise e-business will naturally flow out of an integrated e-service network approach to delivering online customer care.

For More Information

If you are interested in modeling your enterprise e-business to measure the ROI on an e-service network for online customer care, please visit <http://www.motive.com> or call 512-531-2527.

About Motive Communications, Inc.

Motive Communications wires the world's leading businesses with the power to serve millions of customers, partners, suppliers, and employees over the Internet. Our software products are used to build vast e-service networks for the online world, enabling any company to ensure that technology never gets in the way of doing business.

Motive-powered e-service networks automatically connect online users to a company's answers and experts when they have questions or problems. They are particularly suited for:

- e-business companies, for those in service industries to take their traditional competitive advantage to an online world, and for those in manufacturing industries to make their B2B Web sites among the few that will succeed.
- vanguard IT departments, to serve more people without adding more staff.
- technology front-runners, to bypass the leaders in gaining market share and accelerating profits.

Motive today is wiring the world with the power to serve. Through a long series of successful, high-profile deployments which now are in large-scale production, Motive-powered e-service networks are reaching millions of individuals and businesses through companies such as Compaq, Dell, EDS, Gateway, Hewlett-Packard, Kmart, Merrill Lynch, Peregrine, Target, and Wells Fargo.



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