

Realizing the True Value of Online Self-Service and E-Billing

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INTRODUCTION

As markets reach saturation and the cost of acquiring new customers keeps increasing, companies are renewing their focus on retaining existing customers and increasing their value. To do so, companies need to build more intimate relationships with their customers and maintain a continuous dialogue. However, the rising demands and costs of customer care present significant challenges to doing so.

In response, companies are increasingly looking to online channels to streamline customer interactions, increase responsiveness, and reduce costs. Self-service is the fastest-growing customer care channel and is widely recognized as a viable means to dramatically reduce operational costs. However, many companies deploying self-service and e-billing solutions have met with limited success. In most cases, user adoption remains low because most existing self-service and e-billing offerings do not adequately address customers' online needs. As a result, customers continue to use multiple service channels to resolve their issues, further driving up support costs and damaging customer satisfaction. Not surprisingly, customer loyalty remains elusive in this environment, with churn rates hovering at close to 30 percent in industries such as financial services and wireless communications.

This paper discusses how you can unlock customer value for your organization through effective online customer care. It details the critical success factors required to realize this opportunity by looking at some of the key customer adoption drivers and highlighting case studies that showcase the dramatic return on investment (ROI) being realized by companies deploying comprehensive self-service and e-billing solutions.

THE GROWING CHALLENGE OF CUSTOMER CARE

Customer service demands are overrunning companies today. In both business-to-consumer and business-to-business settings, product and service offerings are proliferating and customer interactions are multiplying. The numbers and costs are staggering:

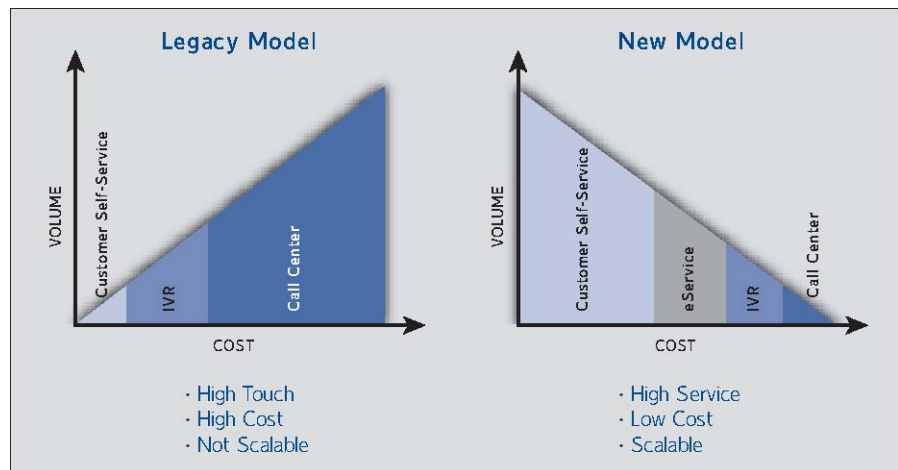
- Interactions between business-to-consumer companies and their customers are growing at a rate of 15 percent per year according to a recent Gartner survey.
- The same survey indicates that inbound customer service-related e-mails are growing at a rate of 20 percent per year, and self-service transactions are growing 25 percent per year.
- More than one-half (54 percent) of all U.S. wireless subscribers contacted their carrier's customer service department for assistance in the past year, according to a 2004 study by J.D. Power & Associates. Many subscribers made multiple inquiries each month.
- In a recent Gartner survey, the average enterprise received 1.7 million calls a year at its call center, at a cost of at least US\$4.50 each. For large financial services, telecommunications, and utility services firms, these call volumes can be 10 to 12 times as high and more costly.
- Gartner reports that, on average, approximately 4 percent of all consumer bills are disputed every month, at a manual resolution cost of more than US\$8.50 per bill. On the business-to-business side, approximately 13 percent of all invoices are disputed, at a manual resolution cost of US\$55 per bill.
- Major inefficiencies in business, such as misapplied payments and lengthy dispute resolution processes, further drive up costs and breed customer dissatisfaction. For example, because of highly manual, error-prone processes, payments from business customers can have a 30 to 50 percent exception rate (that is, payments applied to the wrong account or in the wrong amounts).
- Most of the interactions a customer has today with an organization are through the call center, according to a 2004 survey by the Yankee Group. Seventy-seven percent occur over the phone with or without internet voice response (IVR), and 13 percent are through IVR only. Online self-service makes up 4 percent, e-mail 4 percent, and Web chat 2 percent.

SO WHAT IS A COMPANY TO DO?

Most frequent customer interactions can be easily automated—increasing convenience and efficiency while also cutting down on costly errors. Both consumer and business customers increasingly favor vendors that empower them to control their information and processes on their own terms. This saves them from having to go through intermediaries for common activities such as ordering, paying, configuring services, and downloading key information, simplifying the customer's own processes and encouraging greater customer loyalty.

To reach operational efficiency, companies need to affect a fundamental change in the economics of customer care as depicted in the diagram below. Companies that have made this shift are making the online channel their customers' preferred

starting point for service. As a result, customers are able to manage the majority of their service issues online and escalate to assisted care only when appropriate.



Source: "The Big Payoff of Web Billing and Online Customer Service," Gartner Group, April 2003

The cost differences between the legacy model and the new model of customer service are dramatic. Sending bills costs US\$.44 online versus US\$1.10 for a paper bill. Customer service calls cost US\$.10 for online self-service versus US\$4.50 by phone. Dispute handling costs US\$4.35 online versus US\$8.50 to handle manually.

Realizing these savings has been another issue for many companies. Unfortunately, many companies that have gone down the self-service path have disappointed their customers and themselves and have driven customers away from the self-service channel. According to Gartner, 65 percent of self-service interactions today are escalated beyond the Web, resulting in more expensive phone calls and assisted service events—not to mention what this does to customer satisfaction.

BARRIERS TO ONLINE ADOPTION

As a result of their inability to gain customer adoption, many online self-service and e-billing solutions have failed to deliver the expected ROI for companies. The solutions did not deliver for their customers and as a result, those customers opted not to use them with any consistency. Without sufficient user adoption and endorsement of the self-service and e-billing solution, there is very limited ROI. It is that simple. There are a number of reasons these solutions fail:

The Solution Is Not Sufficiently Customer-Centric

A self-service solution should provide the customer direct control over most common account-related tasks, covering almost every service interaction from finding information to executing transactions. Often the detailed billing and account information is housed in disparate legacy systems, and an integrated view is not available on the self-service Web site. Providing the right content can deflect several phone calls per customer per month to the contact center.

The System Does Not Anticipate Customer Needs

Customers will only convert to self-service if the solution is intuitive, feature-rich, and responsive to their specific needs. If the customer care site delivers an interaction that is superior to other channels, end customers will make it their primary channel.

The online customer care site should be designed to address the typical activities a customer wants to complete online. For instance, the top 10 types of calls received in a call center and which ones can be handled better for the customer online could be analyzed and built into the self-service site.

Also, as users get more tech savvy, their expectations of the online solution grow more sophisticated. Features such as personalization, reporting, and search/query need to be considered when designing a solution. The solution should be flexible enough to accommodate new requirements from the end user, while still being easy to deploy.

There Is No Clear Process for Escalating to Assisted Service

If the self-service channel is to become the preferred starting point, customers need to have confidence that they will be able to escalate to assisted service if their questions cannot be answered. At the same time, this escalation needs to be managed carefully to avoid unintended support cost consequences.

INCREASING USER ADOPTION—A CUSTOMER-CENTRIC APPROACH

Effective online self-service solutions start with the customer's point of view. The self-service platform should be a natural evolution of the company's service platform, and organize information and integrate relevant systems so that all the resources are collected in one place. This ensures that the online self-service solution will be the natural starting point for a customer's support needs and ensures that end users will actively adopt it and keep using it. This maximizes the benefits for the customer and the organization alike.

An effective online self-service solution gives customers direct control over all of their most common account-related tasks, covering almost every service interaction from finding information to executing transactions. Customer self-service combines electronic bill presentment and payment (EBPP) with comprehensive capabilities for service management, knowledge management, personalization, and application integration technologies to create an integrated, natural starting point for customers to address all their service issues.

Contact center statistics provide critical insight into which issues generate the most inquiries from customers and the costs associated with them. Statistics show that the vast majority—often 60 to 80 percent—of customer service issues relate to a customer's bill and account. These inquiries range from simple requests such as accessing account information or performing common administrative tasks to more complex processes such as dispute resolution. For this reason, an effective self-

service solution must provide direct access to detailed billing and account information often housed in disparate legacy systems.

Interactive access to detailed account data is required to answer the most common questions and thereby to establish the self-service solution as the first place to go for answers.

As part of an overall service strategy, the self-service solution should be integrated with related systems for consistent information across channels. Customer service representatives and marketers should be trained to reinforce the use of the online channel in appropriate customer communications.

Whether an organization provides physical goods or services, the account relationship is recurring or sporadic, or the customer is a large business or an individual consumer, self-service needs and customer demands are similar. These include the ability for the customer to

- Manage accounts (for example, update profiles, configure account features, and review invoices or statements)
- Execute transactions (for example, open/close accounts, change services, and execute payments)
- Conduct research (for example, compare products or plans, investigate problems, and analyze activity)
- Interact with the biller (for example, initiate disputes, report problems, escalate issues, receive alerts, and view promotions)

Equally important is how the customer self-service solution delivers value behind the scenes.

The self-service solution must completely meet the contextual and usability needs of users and continue to evolve as those needs change.



This figure illustrates how an effective self-service and e-billing site anticipates all the various activities a company's customers want to manage online.

The self-service dashboard puts the customer visibly in control and provides answers to common inquiries with one click.

Cross-sell/up-sell messages are provided in the context of an existing relationship, creating relevant offers that drive incremental revenue.

Billing analytics enable billers and customers to optimize offerings, further reducing the potential for customer churn.

Quick links provide immediate access to customers' most common activities, making the online channel their natural starting point for service.

Preloaded customer data allows new users to immediately access and get value from the system—rewarding them at their peak moment of interest.

Self-service for simple inquiries such as address and phone number changes deflects a significant number of contact center calls and delivers strong ROI.

Easy-to-use tools allow users to analyze usage by their most relevant criteria.

Path for resolution or escalation of complex issues gives customers confidence to make the online channel their natural starting point for service.

DELIVERING VALUE AND ROI ACROSS THE ORGANIZATION

Organizations that deploy effective self-service and e-billing solutions can realize tangible returns in several areas:

Benefit	How Achieved	ROI Facts
Reduced Support Costs	Deflects issues before higher costs are incurred	<ul style="list-style-type: none"> Forrester Research estimates per incident costs as follows: phone support session: US\$33; e-mail: US\$9.99; chat: US\$7.80; self-service US\$1.17 60 to 80 percent of support incidences are account-related¹ One large North American communications carrier reports an 8 percent monthly call-in rate for its online customers vs. a 30 percent monthly call-in rate for customers not online
Reduced Customer Churn	Creates stronger relationship and increases switching costs	<ul style="list-style-type: none"> Gartner: Average of US\$280 to find a new customer vs. US\$57 to keep a current one Online customers have lower churn rates A major wireless carrier has found that its annual churn rate is dramatically lower for online registered subscribers: 8 percent vs. 28 percent

Increased Customer Satisfaction	Quick resolution of issues, and customers are empowered to access/modify their personal information in a quick and efficient manner	<ul style="list-style-type: none"> • The faster customers resolve issues, the less likely they are to switch and the more likely they are to recommend a service provider to others. Example: Only 32 percent of customers with unresolved issues would recommend mobile carriers to others vs. 77 percent of customers whose issues were resolved on first contact
Reduced Processing Costs	Avoids printing and mailing costs; streamlines payment processing	<ul style="list-style-type: none"> • Consumer bills: US\$1.10 for paper bill vs. US\$.44 for e-bill² • Business bills: US\$5 for paper bill vs. US\$2 for e-bill³ • B2B payments: US\$6 for paper vs. US\$2.30 for e-payment; B2C payments: US\$.65 for paper vs. US\$.10 for e-payment⁴ • One financial services customer reports a savings of US\$150,000 per quarter in fulfilling reprint requests alone • One wireless carrier reports over US\$16M in annual cost savings based on <10 percent customer paper bill suppression
Improved Operations	Automates business processes	<ul style="list-style-type: none"> • With online delivery, review, approval, and payment, days sales outstanding can be reduced by 2 to 10 days⁵ • Manual payment processing from business customers can have a 30 to 50 percent exception rate (that is, payments applied to the wrong accounts or in the wrong amounts)⁶ • A regional healthcare insurer has increased its days cash on hand from 47 to 80 days
Enhanced Marketing Effectiveness	Uses information on customer's stated interests and actual account history to better target messages	<ul style="list-style-type: none"> • "Better deal from another service provider" is the reason most often cited for switching wireless service providers • Rate plan analysis is a key time to catch users with targeted messages and promotions through the low-cost online marketing channel

¹Siebel compilation and analysis of customer call center data

²"The Big Payoff of Web Billing and Online Customer Service," Gartner Group, April 2003

³ibid

⁴ibid

⁵Siebel customer data

⁶Siebel customer data

Companies that have deployed comprehensive self-service and e-billing solutions like those described above have gained very healthy customer adoption and the resulting ROI that goes with it. The chart below quantifies some of these key areas of value using illustrative examples.

Type of Company and Size	Operational Issues	Customer Adoption	Operational Impact	Cost Savings	Additional ROI Opportunities
Consumer wireless carrier— 25M subscribers	High support costs— 25M calls per year at US\$4.50 per call	30 percent 7.5M customers	Deflect 10 percent of calls (2.5M per year) to Web at US\$.10 per call	US\$4.40 per deflected call US\$11.0M per year	Paper turnoff Payment processing Customer retention
Consumer credit card issuer— 12M cardholders	High monthly billing costs for paper/postage— US\$1.10 per	25 percent 3M customers	33 percent of online customers turn off paper (1M per mo.)— US\$.44 per online statement	US\$.66 per online-only statement US\$7.9M per year	Call deflection Payment processing Dispute management DSO
Group Health Insurer— 10,000 employer customers US\$3.8B revenue	Costly invoice disputes— 4,000 per month at US\$55 per High DSO	30 percent 3,000 group customers	Automated 30 percent of disputes (1,200 per month) Reduce DSO by seven days, 2 percent value	US\$27.50 per dispute US\$396K per year US\$438K per year increased cash flow	Call deflection Competitive differentiation Paper turnoff

There are a variety of important “softer” benefits as well that impact both consumer and business customers, including

- Providing a convenient starting point for common tasks, such as accessing account information, analyzing statements, investigating problems, and paying bills
- Avoiding frustrating dead ends and passing along key information through intelligent integrated escalation to assisted service if customers cannot resolve issues themselves

- Allowing anytime access, day or night, putting the control in the hands of the customer
- Avoiding the uncertainty of other support channels, such as long phone queues, inconsistent experience with different support reps, and delayed or incomplete responses from e-mail channels
- Empowering customers to make better decisions through activity or usage analysis, categorization, and reporting
- Reducing processing costs associated with complex transactions by enabling reporting and analysis, initiating appropriate workflows, handling disputes, and automating payment
- Providing better visibility into business operations, such as usage analysis, inventory, payment flow and process, problem status, and so on
- Reducing dependence on the availability of a key account manager or a knowledgeable customer service representative for routine questions and activities

CUSTOMER SELF-SERVICE IN ACTION

Here's a look at how some of the world's leading companies are leveraging Oracle's Siebel Self-Service and eBilling solutions to deflect service calls to the Web, reduce paper and postage costs, streamline billing and payment processing, accelerate cash receivables, and increase customer satisfaction and loyalty.

European Wireline Carrier

This carrier serves more than 20 million customers and supports more than 150 call centers, the largest network in Europe. The carrier is a clear market leader, but it faced some difficult challenges, including rising customer care costs, high call center volumes, and a variety of satisfaction issues with its different customer care channels.

The carrier's consumer and small-business division was using systems from its billing and e-commerce vendors to enable online billing and self-service at its Web site, but adoption of the solution was poor and customers were clearly demanding more capabilities before they were willing to adopt it. The carrier saw the need for a more comprehensive and scalable platform for self-service—one that allowed customers to manage all aspects of their accounts online 24 hours a day. The carrier was also looking for a platform capable of supporting its largest corporate customers.

Siebel Self-Service and eBilling platform provided this carrier with an internet-centric, paperless environment in just three months. It essentially acts as an intermediary front end that links the carrier's back-end systems together, so that they can feed into one online customer care system. With the solution in place, customers are able to manage and service their accounts on the Web through an

online dashboard. They can view their bills online, including call charges up to 10 p.m. the day before; manage their accounts; pay bills; and talk to customer service representatives online, simply by logging on to the carrier's Web site. Customers can sort and search itemized charges and call details and amend pricing packages as well. The system also allows customers to personalize their bills by replacing phone numbers with names. Instead of getting a list of phone numbers on the bill, customers see a list of names of people and businesses called.

While Siebel Self-Service and eBilling enables state-of-the-art online customer care for this carrier's consumer customers, it is also contributing to a 400,000-per-day call deflection effort and a £150 million per year cost savings initiative.

Customer adoption currently exceeds 11 percent and is rising quickly. The carrier is on track to save millions of dollars every year via improved efficiencies in customer service operations, bill production, payment processing, and debt collection. The solution is also promoting the carrier's environmental credentials by actively encouraging paperless relationships with its customers. The carrier is targeting 100 percent paperless billing within the next five years. At the same time, it continues to enhance its customer self-service, as more and more consumers and business customers choose to interact with the company in this manner.

U.S. Wireless Carrier

One of the largest wireless carriers in the United States, this company plays in a very competitive marketplace with extremely demanding consumer customers. Costs to serve are high, and profitability margins are small.

The company was in the midst of an aggressive cost management effort and looking for new ways to streamline its customer care processes and drive more interactions online, where it understood its customers preferred to be served. In addition, the carrier had seen a growing gap develop between its own and its competition's online customer care and e-billing capabilities. The carrier wanted to change that and improve its online customer service, while significantly reducing its operating costs.

In early 2003, the carrier selected Siebel Self-Service for Communications to upgrade its existing online account management capability and provide customers with 24x7 online access to all their billing, payment, and account-related information. The solution enables millions of customers to quickly and easily view their bills, make payments, and modify account information. With the new capabilities, customers can also track airtime usage, analyze monthly spending trends, access up to six months of billing information, change account features, or set up a personal address book that translates dialed phone numbers to identifiable names on their e-bills. Siebel and the customer deployed the solution jointly in less than five months.

In the first six months of deploying the new solution, online adoption doubled, and today the online adoption leads the wireless industry. The company is currently

handling more than US\$2 billion in online payments per year—a 100 percent increase versus the prior year, and a significant savings in payment processing and accelerated cash receivables. In addition, the company reports significant call deflection as a result of its strong online adoption. The carrier is consistently ranked as the leader in industry studies on customer satisfaction and boasts an industry-low customer churn rate of 1.45 percent per month.

In late 2004, the company introduced the industry's first automatic shut off of paper bill detail whereby paper bills are no longer sent by mail—an initiative that is driving more than US\$1 million in savings every month in paper and postage costs alone.

North American Utility

Facing industry deregulation and a diverse and demanding customer base, this large provider of electric and natural gas services was looking at new ways to add value for its customers while streamlining its customer care operations.

The company had already begun to invest in multiple online initiatives aimed at making itself easier to do business with. Some of these online capabilities included multiple language microsites, the ability to turn service on and off when moving, and even helpful tips for energy efficiency in the home and the business. Self-service was a clear part of its business strategy, and it initially looked to e-billing because it saw that a large percentage of its customer service calls each month involved billing questions. So the company started by piloting a hosted solution for 18 months. This first-generation e-billing and payment solution provided very limited functionality for the end user, and it was also not linked with the company's other self-service and customer care systems.

From the start, this utility saw how important a touchpoint the e-billing interaction was—it provided an opportunity to manage the entire account management process online and gain greater control over the company's customer relationships. So, after customers were slow to adopt its initial offering, the service provider selected Siebel eBilling Manager to drive its online strategy forward. The company wanted not only to display individual customer account information, but also to consolidate electric and gas accounts into a single customer experience. In addition, the solution needed to support payments and summary distribution via other end points such as banks and ISPs.

Using Siebel eBilling Manager, this service provider was able to triple its online adoption within six months. Today it leads the industry with greater than four times the average utility industry adoption. Users now have comprehensive online customer care capabilities, including e-billing and payment, online account management, and consolidated statements for electric and gas usage. Surveys indicate increased customer satisfaction with the utility, and the Web site is becoming a preferred channel for customer care. Adoption continues to grow rapidly. The company is currently processing over US\$160 million in online payments per year, adding significant savings in streamlined payment processing

and fewer billing and payment errors. In addition, the company has lowered its total costs of ownership for the e-billing solution.

Regional Healthcare Insurer

This regional nonprofit health insurer serves close to 900,000 members with a provider network that includes in excess of 22,000 physicians and 130 hospitals. It offers a range of services including HMO, PPO, POS, and Medicare plans. After a series of acquisitions in the 1990s, the insurer found itself managing 55 disparate IT systems and encumbered by the resulting operational inefficiencies. Enrollment, payment collection, accounts receivable, and claims administration all suffered from poorly designed business processes. The results were errors in the membership roster that translated into billing errors, customer disputes, and poor customer satisfaction.

In an effort to increase both profitability and customer satisfaction, the health plan launched an initiative to restructure its business processes, while at the same time empowering its customers with a wide range of self-service capabilities. By outsourcing claims administration and IT operations, the insurer was able to reduce the total number of IT systems and then integrate those systems that remained. The next step was to address delays in accounts receivable. To do so, the insurer needed more up-to-date roster information than its existing enrollment system could provide. Consider the implications of a member-based service business with a constantly changing roster of close to 900,000 members. A single corporate customer might add or remove large numbers of employees between billing cycles. This often happened via mailed-in forms, email, phone, fax, or Electronic Data Interchange (EDI). With approximately 80 percent of all enrollment transactions being paper-based, there was a large amount of room for error in the system. This had a direct effect on accounts receivable as disputes arose over incorrect bills.

To address these problems, the company created a more streamlined online enrollment system that provided dynamic up-to-date roster information, resulting in fewer billing errors and delayed payments. The initial version was such a success that the insurer decided to tackle the next variable in the accounts receivable equation by providing comprehensive online billing and payment. The insurer evaluated three vendors before choosing Siebel Healthcare Billing Manager, an integrated solution that provides dynamic access to account information, including billing, payments, and adjustments. Oracle's Siebel solution pulls roster data directly from the insurer's enrollment system, uses it to compile and present customer invoices, and then accepts customer payments through a secure Web interface.

The addition of electronic billing empowered the health plan's customers by giving them control over their accounts from enrollment through billing and payment. Customers now have an integrated view of their entire relationship with the health plan and can manage that relationship online. The addition of electronic billing has increased customer satisfaction and further reduced billing errors. Improved accounts receivable has put the insurer in a better monthly cash position. Ninety

percent of those using the online billing system pay their bills within 30 days, and the system has a 92 percent customer satisfaction rating. The company has also gained numerous national and regional customer satisfaction awards. It has also seen its cash-on-hand metric—a measurement of how many days a company could function with no revenue—increase from 47 to 80 days. Improved roster management and billing procedures have translated into more cash on hand, and the insurer says it has gone “from worst to first in days sales outstanding.” At present, approximately 25 percent of the insurer’s customers use online billing, and the company expects the number to continue to grow.

ONLINE SELF-SERVICE AND E-BILLING—A STRATEGIC OPPORTUNITY

Most organizations already know that it costs significantly less when customers get the information they need or conduct transactions themselves online than it does when a customer service representative assists them. Moreover, business and consumer customers view effective self-service applications as a valuable service enhancement because they make it easier for them to do business with their suppliers and service providers. Gartner predicts that online self-service interactions will grow fivefold over the next five years. For example, more than 40 million U.S. consumers are paying bills online today, and this number is expected to increase to 65 million by 2007. Research firm Frost & Sullivan predicts that approximately half of all bills will be paid online by consumers by the end of this decade, and 1 in 5 will be delivered electronically, compared to 1 in 10 today.

Effective self-service and e-billing solutions complement existing customer care systems and enable organizations to deliver the high levels of service required to attract and retain today’s more demanding customers, while managing the direct and indirect costs of servicing those customers. These solutions not only reduce service costs, they also drive strong revenue growth by automating the ability to cross-sell and up-sell products when customers make inquiries.

The primary success factor for a self-service solution is user adoption. The more customers that use the self-service solution as their primary channel for service, the fewer customer care calls, the lower the print costs, the more efficient the payment management, and the higher the customer satisfaction. User adoption is driven primarily by one single factor—superior and relevant customer-facing functionality. Customers need to have ready access to information and capabilities that empower them to take control of their service needs. The solution not only needs to be customer-centric, but it also needs to anticipate all or most of the end users’ online service needs.

Those companies that can meet this challenge can begin capturing significant returns today and lay the groundwork for sustained and profitable customer relationships in the future.



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Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200
oracle.com

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