



An Oracle Best Practice Guide  
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# Best Practices for Improving First-Contact Resolution in the Contact Center

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## Introduction

This best practice guide addresses one of the key performance metrics in the contact center, first-contact resolution (FCR). It is important to note that the guide expands the scope from what is commonly regarded as FCR to cover all contacts, regardless of channel. It begins by defining FCR and providing industry statistics from a few expert sources—including the average FCR achieved by customers using RightNow CX (now known as Oracle RightNow CX Cloud Service) in 2009. In addition, it provides insight into the various methods companies use to measure FCR.

When clients map application functionality to satisfy their business requirements—which will enable them to achieve the desired results with Oracle RightNow CX Cloud Service—the subject of FCR as a metric for success comes up with increasing frequency. Among all success metrics, this one in particular generates provocative discussions on how to measure it and ways to improve it, primarily because so many other metrics are affected by and have an impact on FCR. Based on client discussions and collective experience, FCR is one of the most critical key performance indicators (KPIs) for the quality of the customer experience as well as an organization's overall operational efficiency. This guide digs into the causes and effects that have an impact on this metric as well as sharing insights from other industry experts.

## Understanding First-Contact Resolution

Although FCR is a powerful and valuable metric, because it serves as a KPI for customer experience as well as operational performance and efficiency, it's also one of the most difficult ones to correctly assess. Many organizations find FCR particularly challenging to measure effectively when it comes to customers' perspective on whether their inquiry was resolved to their satisfaction. Consequently, this guide begins by providing a few definitions for FCR, as well as insights to help you define and measure it effectively for your organization.

FCR is, quite simply, when the customer's inquiry or problem is resolved in a single contact.

According to the International Customer Management Institute (ICMI), FCR is the percentage of initial calls that do not require any further contacts to address the customer's reason for calling. The customer does not need to contact the call center again to seek resolution, nor does anyone within the organization need to follow up. Ideally, FCR should be defined from the customer's perspective.

FCR is both an efficiency measure and an effectiveness measure. It is a leading indicator of customer satisfaction because customers want their support requests resolved immediately. FCR is also important to the support center because high FCR saves money.

— Kristen Robertson  
President, KR Consulting, Inc.

As with most metrics that help drive operational performance improvement, organizations need to work through their own definition, develop an appropriate framework to measure it consistently, and syndicate it across business units and sites (outsourced vendors specifically) to maintain integrity.

## Improving First-Contact Resolution Through Best Practices

Some experts believe that FCR is a customer-oriented metric that should apply only to live contacts within the phone channel and is calculated as the percentage of contacts resolved on first interaction with the customer, whereas others believe that calls that require a callback, transfer to another source of support, or escalation to a manager or another support group do not qualify as first-contact resolution. The analysis in this guide casts further light on these differences of opinion.

It's not realistic to think that every issue can be resolved on first contact. For most organizations, there will always be situations that require further research, work, or help. That said, to see FCR improvement, it is essential to assess many facets of the operation that contribute to the customer's contact experience, such as processes, technology, agent training, and coaching programs—carefully reviewing for issues or customer barriers that inhibit higher FCR.

Due to poor execution, an alarming 70 percent of all FCR initiatives fail to result in a change that customers notice.

## A Formula for First-Contact Resolution

The following formula is the basic starting point for calculating FCR when using Oracle RightNow CX Cloud Service:

$$\text{FCR} = (\# \text{ resolved incidents closed on the first contact}) \text{ divided by } (\text{total } \# \text{ incidents}) * 100\%$$

There are a couple of factors organizations should consider when measuring FCR. If the conditions outlined in this section exist, it would be advisable to adjust the formula by subtracting the types of contacts that require repeat calls.

### 1. Analyze Repeat Contacts Across All Channels for Root Cause Analysis

Analyze your repeat contacts across all the interaction channels—not just the phone channel. Organizations concerned only about repeat inbound calls, for instance, risk missing the broad spectrum of valuable insight from the interactions occurring across other channels.

Root cause analysis will help identify reasons why customers' issues aren't getting resolved on first contact or why they cross channels. Once problem areas are identified, determine why calls are not being handled properly the first time and fix the source of the problem. Research tells us that more than half of phone contacts have a self-service interaction related to them, either before or after the call. Additionally, 25 percent of Web-using customers subsequently use a full-service channel to complete a transaction.

### 2. Analyze Customer Profiles for More-Predictive Contact Patterns

The more an organization knows about its customers and their contact behaviors, the better it can provide superior levels of service. Analyze the customer's interaction patterns for repeat contacts to develop better customer profiles and a more personalized customer experience. This will contribute to FCR, because customers cite as one of the main reasons for repeat contacts that they were not satisfied with the response they received, even if it was correct. For instance, with Oracle RightNow CX Cloud Service, an organization's technology infrastructure can be tightly integrated. It can leverage its customer information and access back-office data to provide more-intelligent service automation and routing to agents who have the appropriate service skills and are equipped with where/what/when information about customers' previous interactions with the organization. If agents know about customers' prior efforts to resolve issues on their own, they can be empathetic while providing guidance to the customers in the next interaction. This is the real-time aspect of knowledge at the moment of truth.

Through analysis of data from systems such as Oracle RightNow CX Cloud Service, which can analyze transactional data as well as data from different datasources for historical analysis, companies will likely find relevant information about their customers' contact behaviors and preferences. If your company is like most others, it will become readily apparent that there are contact types that cannot be resolved in a single interaction and that some customers will call back because their issue cannot be resolved in a single call, for a variety of reasons.

For some companies, a majority of customer contacts will utilize only the phone channel for certain types of issues or inquiries that may be perceived as unsuited for online self-resolution or unsecured online transactions. Certain contacts may involve specific issue types that are more complex or have business processes that require two or more calls on average, rather than just one, to resolve the issue. For these contacts—if they can't be broken down to reduce repeat contacts—consider special routing to a different tier of agents whose skills enable them to handle more-complex issues within the first contact, to minimize the need for additional repeat contacts. For call types or issues that can't be resolved in a single call, provide the customer with as much detail as possible about the process, to increase the likelihood of resolving the issue in the first contact, and be sure agents follow outlined processes to ensure that the customer has a good experience.

By contrast, some companies that have customers extensively use online functionality often require them to get assistance for a specific type of issue or problem. A common practice for facilitating resolution when customers escalate to an assisted contact is to provide them with the information they will need in order to work through the issue with the assistance required to solve the problem.

"Engagement with an organization can take customers across many channels—simply booking an airline ticket might involve the internet, voice, e-mail, and face-to-face service at different points of the transaction," says Sabio Founding Director Adam Faulkner. He suggests that businesses should "aim to ensure that their service is personalized and consistent across the entire transaction, irrespective of the channel."

FCR measurement goes hand in hand with contact reason tracking. After identifying the customer channel preference behavior for specific contact types as part of the overall strategy for improving FCR, it will also be worth noting or listening to customer feedback when delivering self-service content either through interactive voice response (IVR) or online via the Web. It's critical to review how content is delivered by channel and measure its effectiveness in specific customer segments, to better understand exactly when contacts will escalate to an agent-assisted channel.

### **3. Review Policies and Processes**

After a review of contact patterns and customer profile analysis, inefficient or ineffective processes will jump out.

Organizations looking to improve FCR should view this as an opportunity for continuous improvement and conduct process and policy evaluations. Identify the corner cases in which corporate policy may contribute to repeat calls but cannot be changed. In these cases, consider subtracting these call types from the FCR calculation. There may also be processes that contribute to repeat calls in the same way. If they can't be revised, consider subtracting these types of repeat calls from the FCR calculation. For example, the corporate policy may require manager approval when customers seek to have charges waived or credited above a specific dollar amount. For these contact types, escalation above the initial tier is likely to occur, so they should be subtracted from the first-contact population.

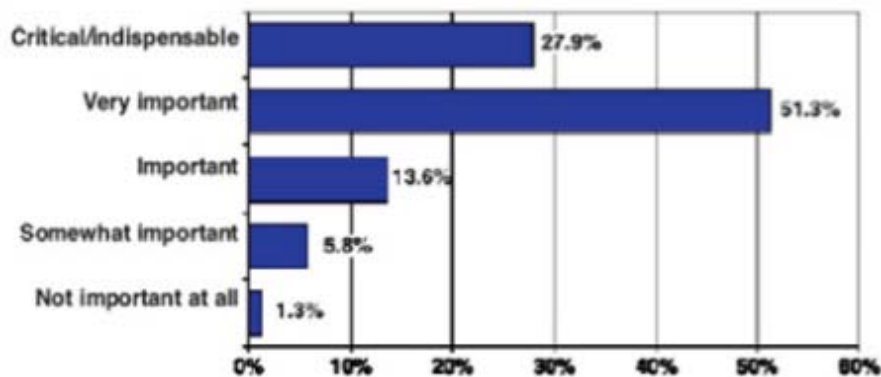
Now that this guide has defined FCR, provided a formula for measuring it, and offered some measurement keys, it briefly discusses why FCR is important and its impact on the contact center.

## Why Is First-Contact Resolution So Important?

Among the companies surveyed by The Ascent Group in a benchmark study, FCR is one of the five most important operational metrics in the call center. It is a measure of how effectively the contact center handles customer requests the first time and is a function of many factors, including the complexity and types of transactions handled, the experience of the agents, the quality of agent training, and the tools the call center agents use.

According to The Ascent Group, the following are the top five KPIs for contact centers:

- Cost per contact
- Customer satisfaction
- First-contact resolution rate
- Agent utilization
- Aggregated contact center performance



Note: Due to rounding, some percentage totals may not equal 100.0 percent.

Figure 1. This graph illustrates the contact centers' perceived importance of FCR for phone calls. According to research conducted by ICMI in 2008, the vast majority, approximately 93.8 percent, of the 298 contact center professionals who responded indicated that FCR was an important metric to track for operational performance.

Many contact center organizations may measure FCR correctly but, due to business rules, may close incidents before the customers consider their issue closed. The impact on the business in this type of scenario is very significant. An organization that thinks it is resolving calls at an FCR rate but not actually doing so on first contact will get an artificially high FCR. This can have an impact on cost per resolution, customer satisfaction, agent attrition, future conversion rates, and customer retention and loyalty. In many situations, an organization with inflated FCR also has difficulty taking definitive corrective action to reduce the repeat-contact rate—or, worse, actions taken may not address the root cause of repeat contacts. The measurement definition can be configured for a window of time (within 24 or 48 hours after incident closure) in which to reopen incidents when customers repeat contact on the same issue.

As organizations launch into root cause analysis to define ways to improve customer resolution, two primary types of measures benefit them: internal efficiency measures and external effectiveness measures such as customer experience or customer satisfaction.

### Internal Efficiency Impact

Although several operational efficiency factors are affected by FCR, this guide focuses on only a few—such as the cost of repeat calls—that are readily quantifiable and can help build a business case for an improvement program.

### Cost of Repeat Contacts

Let's say you're currently measuring FCR at 65 percent, which, according to several industry benchmark reports, appears to be within the average range in the call center industry. This percentage means that 35 percent of your total contact volume is coming from customers who are calling back because their issue wasn't resolved on the first contact. Figure 2 shows a potential cost scenario in the contact center.

FCR Impact			
Total Contacts (Annual)			
1,924,080			
Contacts Resolved First Time (Annual)			
1,250,652			
# of repeat calls/customers	% of total Problem Calls	# of Additional Calls	Cost of Calls
1.5	12%	230,890	923,558
2	9%	173,167	2,337,757
3	8%	153,926	2,078,006
4	6%	115,445	3,694,234
<b>Annual Total</b>	<b>35%</b>	<b>673,428</b>	<b>9,033,556</b>
<b>Annualized Cost Impact*</b>			<b>\$ 9,033,556</b>

\*Assumes resolved cost/call of \$4.00, \$3.50, \$3.00, \$2.00

Figure 2. The higher the number of repeat contacts required to resolve an issue, the higher the costs.

Figure 2 utilizes cost impact principles from Dr. Jodie Monger's paper "First Call Resolution: Its Impact and Measurement," published by research consulting firm Customer Relationship Metrics, but also takes into account the increased cost for escalated contacts beyond the initial repeat contact. For an organization with a few more than 673,000 repeat contacts, analysis will show the distribution percentage of repeat calls. Looking at the example above, if you were to break down the number of repeat contacts as percentages, it would become clear that the higher number of repeat contacts required to resolve an issue will cost substantially more than resolution on first contact. Best practices suggest that similar analysis be performed to identify the low and high range (outliers) of percentages of repeat contacts, identify the root causes, and develop an improvement strategy. After conducting the cost impact analysis and establishing a realistic improvement target with periodic performance measurements or baselines to track trending, you can then incorporate the benefit into a business case to help justify the investment in improvement.



In later sections, this best practices guide provides additional examples to further illustrate the effects on operating costs associated with an FCR improvement strategy.

#### **Increased Opportunities to Sell**

Research shows that customers' issues must be resolved before the customer service representative (CSR) has earned the right to move on to any sort of sales activity and expect a shot at success. If the CSR moves to the cross-sell too early, customers will be irritated and will feel that the organization is pushing its own needs rather than meeting their needs. The fundamental customer relationship is undermined when sales offers are rushed.

#### **Improved Employee Satisfaction**

Organizations with low FCR often have low employee satisfaction and high turnover. Stress is high on the employee who handles the second and third call from a customer whose issue wasn't resolved the first time. According to a study by ICMI and TalentKeepers, agent satisfaction stands at 31 percent, the lowest level in years. The #3 reason for these poor agent attitudes—behind pay and opportunity—is repetitive work. Recruiting and training costs run an average of US\$6,400 per replaced agent, and with 30 percent annual turnover, that can be a substantial operations cost. First-contact resolution averages 68 percent. The remaining 32 percent reflects repeat calls that add unnecessary expense.

#### **External Effectiveness Impact**

The FCR metric gives insight not only into internal or operational efficiency but also into external effectiveness, such as positive customer experience or customer satisfaction.

#### **Improved Customer Experience**

A precise measure of how much FCR directly influences satisfaction varies across different reports. For instance, Service Quality Measurement Group offered a statistic based on its customer satisfaction performance over a five-year period: a 1 percent improvement in FCR yields a 1 percent improvement in customer satisfaction. Convergys published a more conservative ratio in its FCR white paper, based on analysis of 1.2 million surveys for 27 customer care programs. It estimated a 6.25-to-1 ratio between FCR improvement and customer satisfaction.

Findings from ICMI's FCR study support a high correlation between FCR and customer satisfaction: Among the respondents who reported an increase in FCR over the previous 12 months, 75 percent indicated a resulting increase in customer satisfaction.

One more case for adding FCR to customer satisfaction improvement programs is a study, conducted by Customer Relationship Metrics, that found that "caller satisfaction ratings for the company in general and for the CSR will be 35 to 45 percent lower when a second call is made for the same issue."

Although FCR is shown as highly correlated with customer satisfaction, the jury is still out on what the exact correlative ratio to customer satisfaction is. Experience shows that the ratio will vary widely from company to company, depending on the industry and how the FCR measurement and execution strategy has been implemented.

According to a study by the American Customer Satisfaction Index (ACSI), half of customers with unresolved issues are at risk of defection or have already decided to leave.

Within the FCR measurement framework in this guide, there are a few methods for better understanding the correlation between FCR and customer satisfaction.

## Top Factors Influencing First-Contact Resolution

So far this guide has discussed the importance of measuring FCR effectively and its impact on customer satisfaction and the business. Adding it to the list of other KPIs to measure, however, is not enough. As previously highlighted, measuring it accurately and consistently involves a few challenges.

Although 65 percent of contact center staff members say that FCR is what customers want, only 35 percent of companies both measure and then report the figure to their board, according to survey results released from Panviva.

Even though FCR may be one of the KPIs monitored, the numbers reported may be too high—for reasons such as an overly short measurement window (less than 24 hours) for counting possible repeat calls, inaccurate survey responses, or not having enough survey responses to prove statistically accurate—not to mention all the other challenges discussed throughout this guide. To help boost the confidence level in the reported rates, it is helpful to look at a few of the barriers that organizations have removed along the path to high FCR.

According to a survey conducted by Dimension Data in 2009, the top factor in low FCR was lack of access to customer information and systems data, followed by poor agent capabilities, cited by more than 60 percent of the respondents. Shortly behind that, 50 percent of all repeat calls are process- or training-driven—business processes are not in place to meet the customer’s needs, or agents have not been given the training required to meet the customer expectations that have been set by marketing or elsewhere in the business.

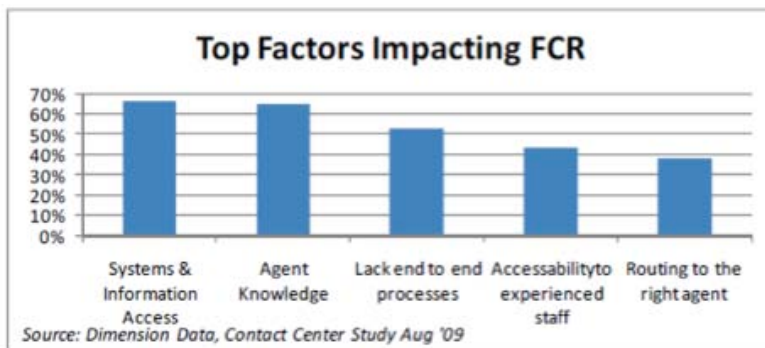


Figure 3. Dimension Data conducted a study that identified the top five factors pulling down FCR.

According to a benchmarking study by The Ascent Group, the most common method for measuring FCR is to calculate data from customer management systems, including customer relationship management (CRM) and other information systems. Although these are the same systems Dimension Data cited as reasons an issue may not be resolved on first contact, the opportunity for FCR

improvement lies within the data stored in these systems, data that will help an organization learn more about its customers as well as their escalation patterns from self-resolution to assisted service. In other words, within each of the barriers to achieving higher FCR lies the opportunity to find the solution.

Analysis of a customer’s contact or interaction data is fundamental to improving FCR rates. Companies need to fully harvest the data points from the different systems with which customers conduct their transactions. Next, we discuss what to measure from these different systems.

## Ways to Measure First-Contact Resolution

According to research from The Ascent Group, the number of companies actively measuring FCR has increased, and those that have been measuring for more than a year have seen improvement. “60 percent of companies measuring FCR performance for more than one year reported improvement in their performance. Those reporting improvement ranged from 1 to 30 percent with an average annual gain of 2 percent,” reports The Ascent Group.

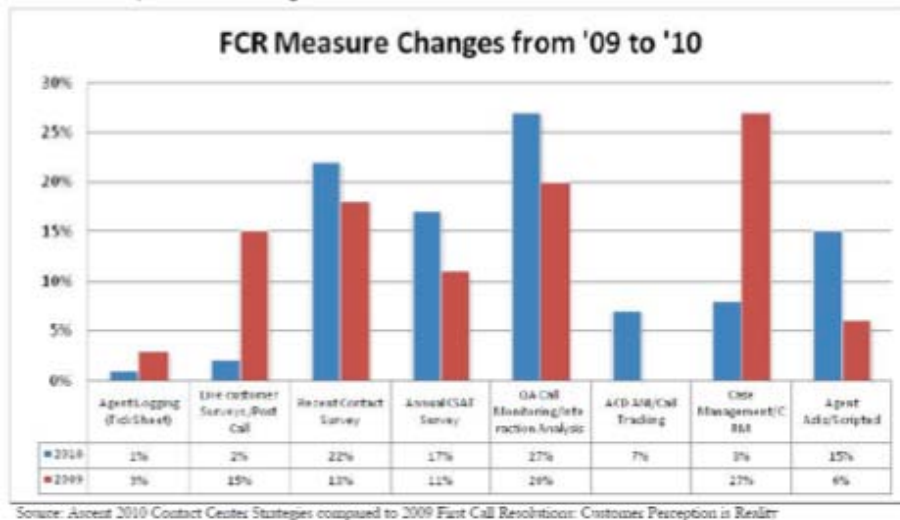


Figure 4. A two-year comparison of FCR measure changes shows interaction analysis and recent contact surveys as the top measurement methods.

A year-over-year comparison of the different ways organizations have indicated they measure FCR, based on 2009 and 2010 studies performed by The Ascent Group, reveals that the following top two methods of measurement help organizations gain a higher degree of confidence in the FCR reported from their systems:

- Interaction analysis
- Recent contact surveys

In a noteworthy shift from previously reported methods, agent logging (tick sheets) fell to the lowest method used, just behind postcall surveys, at only 2 percent. Using a CRM system dropped to the fourth-most-popular method, behind automatic call distribution (ACD), automatic number identification (ANI) match, and call tracking.

According to The Ascent Group, the majority of respondents to a study on FCR rely on a multimeasure approach to gauge first-call resolution. Conducting customer satisfaction surveys (44 percent) and doing call statistic calculations (32 percent) are the most frequently used methods in measuring FCR.

## How Oracle RightNow CX Cloud Service Measures First-Contact Resolution

Oracle RightNow CX Cloud Service provides a 360-degree view of your customers' interactions, regardless of channel. What makes it powerfully unique is the ability to give the contact center agent complete information on a given customer's activity in a succinct and complete contact record every time that agent encounters that customer.

Oracle RightNow CX Cloud Service users usually measure FCR in four ways. First, they listen to their customers. Using the product's customer feedback solution, they can use event, annual, or posttransaction surveys to not only validate but also narrow down root cause analysis for FCR. This brings us to the next three measurement approaches that deliver internal approximations of FCR. Although each has its uses, it's ultimately the customer's evaluation of the issue or contact resolution that will matter most. Attempting to ensure that the customer's issues have been completely resolved in the first contact, some companies will end the call with the agent asking the customer how well the issues were resolved. The ability to measure and track FCR is a key driver of continuous improvement and a key determinant of customer satisfaction. If you don't measure it, you can't improve.

FCR must be measured in a quantifiable manner. This provides the insights required to most accurately understand FCR, identify cost-efficiency, and validate any improvement realized over time. To realize these goals, Oracle RightNow CX Cloud Service includes Oracle RightNow Analytics Cloud Service, a business intelligence solution. It tracks the closure of every incident and provides related KPIs.

The example in Figure 5 illustrates how FCR is measured within Oracle RightNow CX Cloud Service. Through the course of an initial contact, the agent inquires whether the proposed resolution has satisfied the customer. If the customer confirms that the problem has been resolved in this contact, the agent closes the incident with a "resolved" status. In this example, the incident is counted positively toward FCR. However, if the customer makes another contact (within a specified window of time) and indicates that the problem is unresolved after all, the agent will reopen the incident, resulting in its subtraction from the previous FCR count. The Oracle RightNow CX Cloud Service report calculates FCR as follows:

$$\frac{\text{Total Incidents Resolved} - \text{Total Incidents Reopened}}{\text{Total Incidents Opened}} = \text{FCR \%}$$

Figure 5. This FCR calculation uses total incidents opened, total incidents resolved, and total incidents reopened.

## Conclusion

FCR is a critical indicator for determining how well your organization is serving the customer as well as how efficiently your operations are running. Both of these goals affect your bottom line. The challenge lies in finding a quantifiable way of measuring FCR in your contact centers, taking into account all the variables unique to your organization. Determining a methodology for measuring FCR in your call center, tracking and analyzing FCR, and implementing Oracle RightNow CX Cloud Service reports as outlined in this brief are acknowledged best practices for attaining both internal efficiency and external effectiveness in your call center.

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