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2011 WHITE PAPER

# Four Effective Service Strategies that Drive Brand Advocacy

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# Four Effective Service Strategies that Drive Brand Advocacy

The challenges facing corporate customer service organizations have never been tougher. There was a time when customer service was perceived by most companies as little more than a necessary evil. The hallmarks of success were metrics associated with efficiency, such as rapid handle times, and for many companies, the only concession to “good” customer service was making sure that abandon rates didn’t exceed the industry average.

Today, while efficiency and cost control are still important, creating a positive customer experience has become a top priority. Whether it’s delivered via a traditional call center, the Web, email, a mobile device, or in person, customer service is now seen as a differentiator that can provide companies who excel at it with a significant competitive advantage. The lines between marketing, sales, and service are blurring, and all three are expected to make a contribution to the top line. The customer experience, a central driver of customer loyalty, is now a key component of the total sales/marketing effort. This has led companies, in many cases for the first time, to begin looking at the customer service experience *from the customer’s point of view* – and with good reason.

- It cost the average company 5 times more to acquire a new customer than to keep an existing customer happy.<sup>1</sup>
- An increase in customer retention of only 5 percent can lead to profit gains of anywhere from 35 percent to 125 percent.<sup>2</sup>
- The average unsatisfied customer will tell three other people to avoid the company responsible for the dissatisfaction.<sup>3</sup> In other words, the offending company stands not only to lose the lifetime customer value (LCV) of one unhappy customer, but (at least potentially) the LCV of three others as well.
- In contrast, customers who are happy enough to recommend a product or service to others – brand advocates – contribute an astonishing 25 times their LCV to the top line.<sup>4</sup>

## The New Goal: Brand Advocacy

The bottom line is easy to see: building customer loyalty pays off – and in ways that are easily quantified. This fact has raised the customer service bar very high, and puts enormous pressure on service executives to go beyond delivering satisfaction and building loyalty. The new goal is to convert customers into brand advocates.

Today, service executives in every sector are asking themselves how they can create a transformative customer experience. This paper will provide answers, focusing on the four key aspects of service that

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<sup>1</sup>Ohio State University, <http://ohioline.osu.edu/cd-fact/1301.html>

<sup>2</sup> Frederick Reichheld, *The Loyalty Effect*, Harvard Business School Press

<sup>3</sup> <http://blog.peoplemetrics.com/calculating-the-true-cost-of-a-lost-customer/>

<sup>4</sup> V. Kumar, J. Andrew Petersen and Robert P. Leone, “How Valuable Is Word of Mouth?” *Harvard Business Review*, October 2007

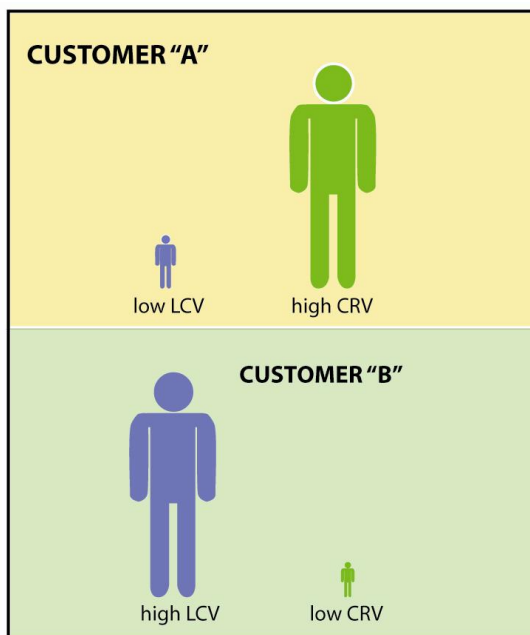
can combine to create a “WOW!” experience: convenience, speed, relevance, and relationship. But before addressing these four keys to success, it’s important to spend a moment considering *which* customers should be targeted for a brand advocacy initiative.

## Segmentation-Based Strategies

Segmentation, and customer service strategies based on segmentation, is crucial for the success of any initiative that seeks to convert customers into brand advocates. Common sense tells us that not every customer can be won over, and for many companies the cost of providing *every* customer with a level of service that will inspire brand advocacy will be prohibitive. Given this reality, businesses are faced with two challenges:

- Determining which of their customers are their most likely advocates.
- Adjusting service delivery so that the chances of creating advocates are maximized.

The above is not meant to imply that companies should abandon the rest of their customers and only focus on the best candidates to become advocates. As a matter of fact, there are many new approaches to customer service, including some discussed here, which can improve service while cutting costs. But



LCV and CRV don't necessarily correlate. Contrary to what might be expected, the customers most likely to make referrals – “brand advocates” – are not always those with the highest LCV

some segmentation will likely be necessary in any brand advocate initiative.

Identifying potential advocates is not a straight-forward process. Surprisingly, the customers with the highest LCV are *not* the most likely advocates for your company. Surveys asking questions like, “How likely are you to refer us?” are also less than highly reliable. One study involving over 14,000 telephone and financial services customers indicated that those who state they are likely to make referrals actually do so less than half the time.

In the end, the most reliable method of identifying who the potential brand advocates are (as defined by their Customer Referral value (CRV)) is the same one that’s been used for decades to calculate LCV: extrapolating past behavior. Companies need to implement mechanisms for identifying these customers to ensure they get the attention they deserve.

The rise of the social media has provided a new avenue for identifying potential brand advocates. Sentiment tracking technologies that are available enable companies to monitor both positive and negative references to their brands, and even identify the individual customers who made those references. This data can be integrated into CRM systems as part of the effort to locate potential advocates – or, for that matter, advocates that already exist but are unknown to the company.

Once the targeted customers have been identified, the next step is to provide them with the convenience, speed, relevance, and relationship that are the hallmarks of premium customer service. These four attributes don’t operate in isolation. Discussing them one by one is helpful for clarity, but it’s also somewhat artificial. In the real world, they’re interconnected. Speedy problem resolution is more convenient than slow problem resolution. When customer service representatives (CSRs) have relevant

customer information available, transactions occur faster. The satisfaction that quick, convenient problem resolution brings to a transaction helps build the relationship that leads to brand advocacy.

These four capabilities are inter-related in another way that's less obvious. Technology solutions often integrate some or all of these capabilities in a single product offering.

## CONVENIENCE

It would seem obvious that convenience is an absolute necessity for winning over customers and converting them to brand advocates. But as every reader of this paper knows from personal experience, *inconvenience* is the norm. We have all gotten confused by ambiguous instructions on a Web site, struggled to navigate complex telephone trees, waited endlessly for a CSR only to find that we've reached the wrong department, repeated everything we told CSR "A" to CSR "B," and felt lucky if we resolved the problem on the first try. If a problem resolution involves a service call, yet another inconvenience is often introduced into the process, with long time windows that force us to reschedule a whole day.

In the twenty-first century, the first step towards reversing this situation is multi-channel availability with cross-channel integration. Both are important. Adding a self-service capability via the Web provides customers with an alternate service channel that is faster and more convenient for them. In fact, many companies have adopted this strategy for a different reason. It offloads traffic to call centers and reduces costs. However, a Web strategy based on short term cost-cutting and call center off-loading alone may backfire for companies that want to convert their customers into brand advocates. The focus needs to be on what works best for the *customer*.

In this regard, having a Web option may not be enough. More and more customers see mobile apps as the ultimate in convenience, and this means bringing the same customer options available on a desktop or laptop computer to mobile devices.

While online or mobile self-service may be the ultimate in convenience, it's a fact of business life that some problems can't be solved without human intervention. Therefore, it's important to make the escalation to a CSR simple and painless.

Oracle's Live Help offering, which includes Live Chat and Live Call features, is a good example of how companies can stay on top of customers' needs in real time and at the same time provide a potentially transformative experience. Oracle Live Help On Demand directs visitors to a Web site with the option to chat or speak voice-to-voice with a "live human being" with a single mouse click. With this option, customers have the convenience of self-service combined with immediate help if they request it. Oracle Live Help on Demand also detects when customers are struggling to find something and can proactively reach out at the time of need.

**CONVENIENCE AND RELATIONSHIP**  
A large, UK-based grocery chain with an online shopping service that offers guaranteed delivery within a one-hour time slot. This is a huge differentiator in comparison to competitors, some of which only guarantee delivery on a certain day. Real-time tracking of drivers plus the ability to take work and weather conditions into account enable the company to reliably keep the one-hour guarantee promise, and as a result the company has built a relationship of trust with its customers.

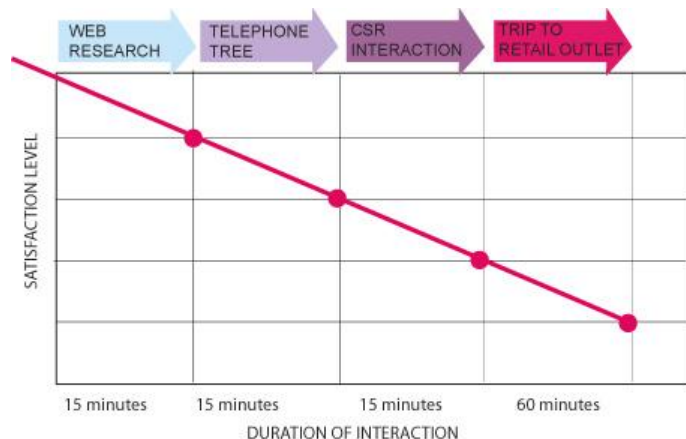
Even without prompting, if a customer switches from one channel to another or from one CSR to another on the same channel, it is crucial that all the information previously collected should persist. While this seems to be common sense, it is all too often not the case.

Many service interactions have a physical component – a visit *by* the customer to a retail outlet to exchange an item or drop it off for repair, or a visit *to* the customer by a repair technician. The concept of cross-channel integration and persistence of information can and should extend beyond the Web and call center. In the case of a customer who visits a retail outlet, there's no reason why relevant information about that customer can't be available on a POS (point of sale) device (along with up- or cross-sell suggestions, to be discussed below). Instead of filling out a repair tag, the customer can simply sign one that's printed in real time based on information obtained via a Web or call center link.

If the physical aspect of the interaction involves a visit by a service technician, there are significant opportunities for improving convenience via real-time scheduling. This leads to the second key aspect of game changing customer service: speed.

## SPEED

Speed is always valued in business, but in customer service organizations, speed has been traditionally viewed in terms of efficiency and cost control. A lower average handle time (AHT) equals fewer CSRs equals lower costs. Such efforts towards efficiency have driven customer service in the past, but companies that want to create brand advocates need to change their approach and begin to look at speed from the customer's point of view. At the risk of stating the obvious, this means adding the average wait time to the AHT, because *this* is the metric that impacts customer satisfaction. And once the customer is engaged, speed means *real-time* problem resolution and *real-time* transaction enhancement.



Customer satisfaction deteriorates with each unsuccessful encounter, and with the passage of time as well.

When it comes to wait times, the business reality is that budgets often impose resource constraints that make some waiting inevitable. The good news is that today's intelligent routing and queuing technologies can be calibrated so that wait times are eliminated or at least held to a minimum for customers with high CRV scores. In many companies this is already a common practice for high CLV customers, and only needs to be modified to include high CRV customers as well. Companies can also let customers choose what to do during these wait times. Products like Oracle Contact On Demand

enable customers to get a call back when an agent is available, rather than forcing them to wait for the next available agent.

Achieving real-time problem resolution is more complex. Ultimately, success depends on two factors: access to information and rapid decision-making. It is essential that CSRs have quick access to *all* the information they need to resolve problems. In technical terms, this means that they must have access to multiple databases, and that those databases must be compatible with one another (if not integrated) so that CSRs can obtain something close to a single version of the truth very quickly. Enabling agent-to-

agent collaboration in real time makes another important information resource available. When CSRs can find the right expert immediately, the result is higher first contact resolution.

#### SPEED AND CONVENIENCE

A national chain of rent-to-own stores that provides low-cost “ownership” of furniture, appliances, home electronics, and other such items takes a unique approach to qualifying customers that combines convenience and speed to build good will and establish long-term relationships. Rather than compelling customers to complete a credit application and then go through the process of verifying the data, the company uses complex risk/value algorithms based on demographic profiles and LCV to instantly generate offers appropriate to the level of risk. The process is not only quicker and more efficient for everyone involved, but by sparing customers the complicated (and sometimes embarrassing) work of applying for credit in the traditional manner, it demonstrates a customer-centric “we’ll work with you” attitude that builds good will and helps build long-term relationships.

Another capability that specifically affects handle times is the persistence of information from one CSR to another, and across channels as well. (This is a prime example of how speed and convenience are related.) The importance of cross-channel communication is well understood (if not well executed) when it comes to call centers and the Web, but to create a “WOW” factor that translates into brand advocacy, this communication should include physical stores as well. There is no reason why customers who need to pick up a replacement item at a retail outlet shouldn’t find that item waiting for them at the counter when they walk into the store.

In addition to quickly providing the right information to the right people, customer service organizations must make quick decisions. The process of decision-making can be dramatically sped up through automation. After all, the business decisions that affect customers are based on business rules which can be embedded in CRM systems.

These three capabilities – quick access to relevant information, cross-channel communication, and automated decision-making – can all lead to a level of problem resolution that will impress customers. Solving a problem *before* it occurs – proactive problem resolution – can be even more impressive. Most companies dread the idea of informing their customers that there’s a problem, but handling such a problem in the right way can actually build

company credibility and customer loyalty.

In one best-practice scenario where a product repair or replacement is required, the customer:

- receives an e-mail notification
- is directed to a Web site to schedule an appointment
- is offered multiple opportunities to ask questions, i.e. via chat, phone, or e-mail
- receives a reminder prior to the appointment
- receives something of value during the physical interaction as compensation for the inconvenience, e.g. a free upgrade or a discount

The fastest transaction, of course, is no transaction at all. Companies should allow customers to automate transactions whenever possible. Incidentally, this practice is not only convenient for the customer, but it also often increases revenue in cases such as subscription or warranty renewal. And in general, it’s often much more convenient – and quicker – for customers to complete transactions themselves.

## RELEVANCE

It goes without saying that any company that's attempting to develop relationships with customers needs to be relevant at points of interaction. Companies that seek to nurture brand advocates need to maintain that focus, and avoid the temptation to look at customer problems as nothing more than an excuse for an up-sell or cross-sell pitch. What's relevant to a customer who calls up with a dishwasher that won't function properly is getting it to work, not buying a new brand of detergent the company is now offering. The first rule of relevance in any customer service situation is, solve the problem!

The question most companies struggle with is how to take transactions to the next level and exploit the sales opportunities that genuinely do exist in service situations. Specifically, how is it possible to know what will work?

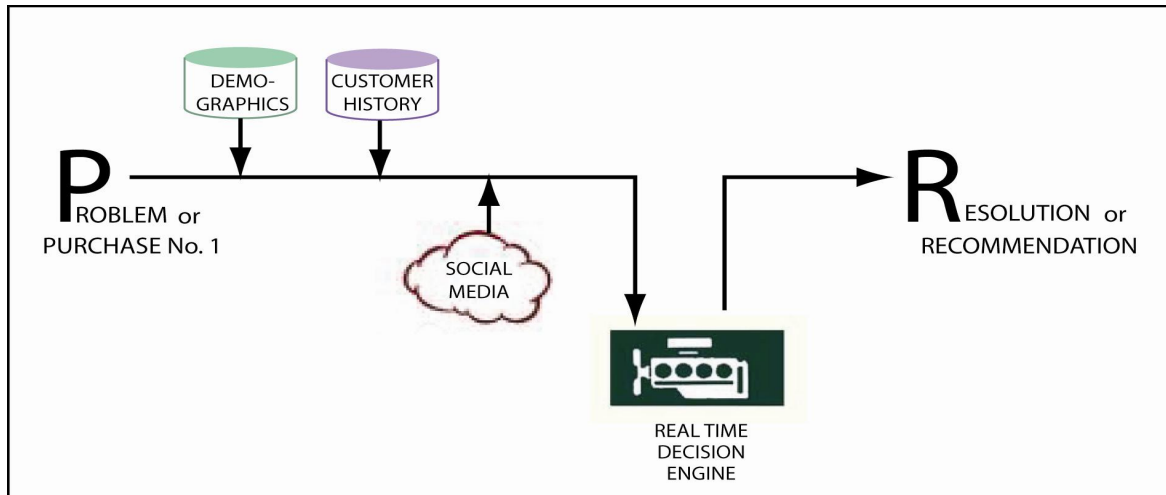
The first step is to develop profiles of customers based on available demographics and historical behavior. Sometimes this data is already available in a CRM system. Often, however, customer data resides in several different silo'd locations, e.g. marketing, sales, and finance, in which case achieving a 360-degree view of the customer may involve significant integration challenges.

Information based on demographics and historical behavior can now be supplemented with social data extracted from sites like Facebook and Twitter. This enables companies to obtain data on *individual customers*, including profile information and the relationships they have online. Precisely how much data can be obtained depends on individual privacy settings, but there's no question that this level of granularity has never before been available.

The point here is that very fine-grained segmentation is now possible, sometimes down to the level of individual customer. And it can enhance service in multiple ways. To begin with, when combined with intelligent routing, profile data enables companies to route calls to CSRs who have in-depth knowledge in the customer's area of interest.

### SPEED AND RELEVANCE

A major retirement fund management company listens to the "voice" of every customer by monitoring literally hundreds of transaction and event categories, from address and password changes to fee-related inquiries to major life events such as divorce. When such a transaction/event occurs, the company pushes an offer out to the customer that's likely to be attractive based on the nature of the event and the client's history. The customer-tailored offer appears the next time that particular customer visits the company Web site. (Roughly 50 percent of transactions are completed online, so customer Web site visits are frequent.) The same system also spots events correlated with churn, and automatically alerts managers to make a proactive personal contact and verify that the customer's needs are being met.



*Transformative customer service depends on the ability to access large amounts of customer data and make decisions regarding solutions or possible enhancements to the interaction (up-sells/cross-sells) in real time.*

Companies can take profile-based transaction enhancement even further with real-time predictive analytics, a technology that provides up-sell and cross-sell recommendations based on historical customer behavior, sometimes even time-weighted to give more importance to more recent behavior. One of the most powerful endorsements of this approach to relevance comes from CSRs on the front lines of customer interaction. In a recent study, 85 percent of CSRs agreed that it helped them do their job better.<sup>5</sup> Another way companies are increasing the relevance of their customer contacts is through customized Web pages. Once profiles have been established, specific home page content can be developed and deployed based on those profiles via a dynamic portal that responds to customers' identity. The effect is like having individual websites for every customer, which helps them to better understand the products and services and drives repeated, frequent interactions.

**RELEVANCE AND REVENUE**

A global information technology company that fields 200,000 service calls daily maximizes the relevance of up-sell and cross-sell offers with predictive analytics technology. Each offer is generated based on a combination of business rules and customer attributes ranging from sales/service history and buying patterns to hobbies, interests, and online click patterns. Customers have responded positively with their wallets, and revenue per service call has increased 10 percent.

## RELATIONSHIP

The ultimate goal of transformative customer service is to develop a strong, positive relationship between a brand and its customer. This begins with handling the fundamentals of customer service, but more is required to better engage with the customer.

The first step is to develop policies and practices that go beyond the norm. Below is an actual quote posted in 2009 on an industry bulletin board:

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<sup>5</sup> "Optimizing Your Return on Customer Attention with Oracle Real-Time Decisions," Oracle, Apr. 2010, p.3.

"Does anybody have any documentation on the industry standard of [inbound call abandon rates]? Currently our department is running at 3% and, as far as I was aware, the standard is 5% and we are therefore hindering our own objectives by keeping it so low."

This is a definition of how to fail at achieving transformative service. Companies that want to win need to find ways to *dramatically exceed the industry norms*. The company profiles embedded in this white paper highlight some examples of how this can be achieved.

#### RELEVANCE AND RELATIONSHIP

A dominant European Internet Service Provider and mobile operator wanted to protect its brand equity through a superior multi-channel customer service experience, while at the same time increasing call center efficiency. The company drove efficiencies by deflecting low value phone calls to live web chats, often initiated by a proactive Click-to-Chat invitation to specific customer segments. Chats could be seamlessly escalated to voice when desired. The results included a 72 second reduction in average handle time and an average chat wait time of only 18 seconds. An astonishing 86 percent of customers gave CSRs and personal shoppers a post chat rating of "excellent" or "great" – the level of trust that builds the kind of relationships that lead to brand advocacy.

Personal relationships can be important. Companies that seek to automate every aspect of service in the name of efficiency may end up building an impersonal facade that customers feel they can't penetrate. Whenever possible, customers should have the option of *connecting quickly with a live human being*. As noted earlier, this capability *can* be afforded at least to a subset of all customers via careful segmentation. It's even better if each customer can have a designated representative. In sectors such as financial services or high-end retail this makes a lot of sense, and the technology exists to automatically route customers to a specific CSR.

Reliability is also crucial to success. For many customers, simply coming through for them in a reliable, trustworthy manner is enough. This means that systems have to be built in such a way that they can handle both routine transactions and exceptions to the norm equally well.

Finally, being proactive is one of the best ways to create a wow! experience. When customers complain on social media, they have no expectation of getting a response from the company they're complaining about. But if that company

is *listening* via this new channel and then reaches out to the "complainer" to let them know that the complaint has been addressed, that will produce a huge positive impression.

## CONCLUSION

Customers who become brand advocates are one of the most valuable assets a company can have. They are, in effect, partners who can help market, sell, service, and even create products. Improving the customer experience to drive frequent engagement is one of the best ways to increase their numbers. This puts a new burden on service executives, but also presents an opportunity to play a much more important role in their company's growth and profitability.

## HOW ORACLE CAN HELP

Customer service that creates brand advocates doesn't take place in a vacuum. It exists – and many would argue it can *only* exist – when the people providing the service are equipped with sophisticated IT capabilities. Oracle offers a wide range of solutions, available on premise or on demand, to help businesses optimize the customer experience. Here are some examples.

- **Siebel CRM's** and **Oracle CRM On Demand's** service and contact center solutions provide optimal resource deployment, speedy issue resolution, one-and-done request handling, and powerful tracking and analytics capabilities.
- **Oracle Contact On Demand** delivers a hosted multichannel contact center solution without incurring upfront capital expenditures or integration costs for complex hardware, software, or CTI resources.
- **Siebel Loyalty** offers a full range of analytics, marketing, and service capabilities that help companies to better understand each customer's lifetime value and to design service levels and promotions that maximize the potential of every customer relationship.
- **Oracle Policy Automation** empowers companies to quickly and cost effectively transform complex business policies and regulation into executable rules to determine benefit entitlements, visa eligibility, tax calculations, underwriting, fraud detection, claims management, and various warranty benefits. It delivers guided interview experiences for self-service and call center environments to ensure consistency across delivery channels.
- **Oracle Real-Time Decisions** and **Oracle Recommendations On Demand** offer personalized recommendations, problem resolutions and up-sell and cross-sell suggestions for optimizing customer interactions via the web and contact centers.
- **Oracle Live Help On Demand** services such as Click to Chat, Click to Call, and Email Response enable CSRs to proactively assist customers with complex decisions.
- Integration with social media monitoring tools transforms social media data into actionable information within **Siebel CRM** and **Oracle CRM On Demand**.
- **Oracle Real-Time Scheduler** optimizes field service scheduling and routing in real-time to increase customer satisfaction by providing customers with shortened, more convenient appointment windows while minimizing costs.
- **Oracle On Track** drives agent-to-agent collaboration, enabling conversations and sharing of vital information needed to resolve issues faster.

## **Oracle**

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Whether in the cloud or at your data center, Oracle offers the broadest and deepest portfolio of CRM solutions that integrates all critical customer touch-points, such as sales, marketing, loyalty, service, web and contact center, and scales efficiently to meet the global requirements of today's leading organizations worldwide.

Only Oracle's Complete CRM provides 20+ industry-tailored solutions, real-time insight, cross-channel innovation, end-to-end integration, and secure enterprise-grade infrastructure. Oracle's Complete CRM products, include Siebel CRM, Oracle CRM On Demand, Oracle Fusion CRM and now ATG Web Commerce.

Oracle (NASDAQ: ORCL) is the world's most complete, open, and integrated business software and hardware systems company. For more information, visit <http://www.oracle.com/crm>.

## **Mike Stevens**

Mike Stevens began his career as technical writer in semiconductor manufacturing, and then switched to marketing. At his own Silicon Valley-based agency, he has worked with an impressive list of clients, including HP, EMC, Amazon.com, Microsoft and, of course, Oracle. His primary focus for the last seven years has been enterprise software. He is also the author of Fortuna, a high tech thriller published by Oceanview Press and available on amazon.com.

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