

The Three Waves of Customer Care

What You Will Learn

This white paper, intended for business decision makers, describes the three major waves of innovation experienced in the customer care industry since its inception in the 1970s:

- Wave 1: Cost and Efficiency
- Wave 2: The Customer Relationship
- Wave 3: The Complete Experience

Each of the waves is described in detail - including associated technologies, metrics, and trends - and recommendations are given for how businesses and organizations can take best advantage of the waves to cost-effectively deliver world-class customer care.

Introduction

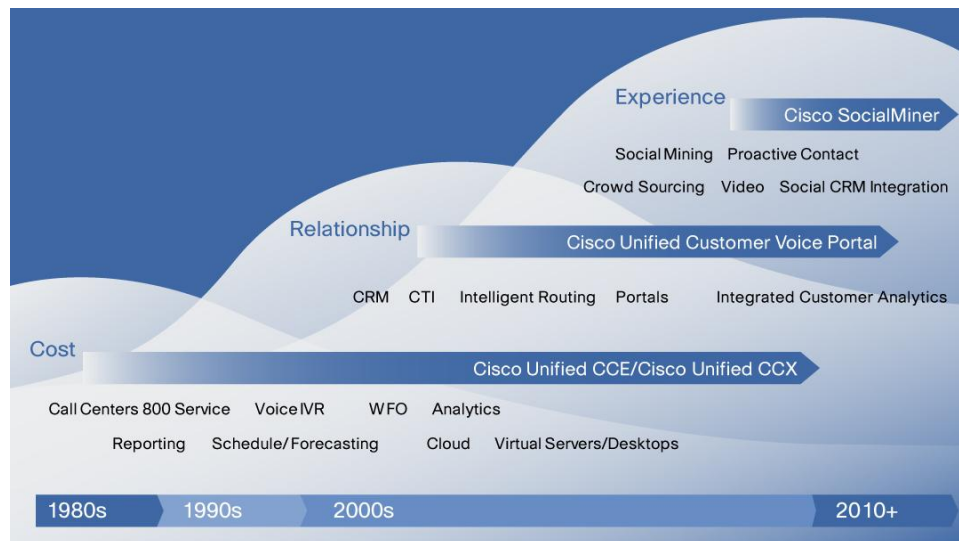
The customer service market is in the midst of a major transition as businesses of all sizes strive to provide customer care in the manner in which today's customers wish to be served. This transition to what Cisco first defined as **Customer Collaboration** combines traditional contact center technology and processes with important innovations in social media, Web 2.0 agent workspaces, and network-based recording and analytics to empower businesses to forge deeper, proactive relationships with their customers.

To fully understand the effect of Customer Collaboration, however, it is important to consider it within the context of **three waves of innovation** and investment in the customer care industry. From a conceptual standpoint, we can refer to them as the waves of cost, relationship, and experience. The cost wave is all about optimizing the cost and processes associated with providing customer service, whereas the relationship wave focuses on adjusting service levels, resources, and channels in response to the customer identity and context. The experience wave seeks to deliver an optimal - and in many cases proactive - customer care interaction using the media and channels preferred by the customer.

Businesses and organizations that understand the principles that influence these waves are better able to take advantage of their capabilities to deliver world-class customer care that strengthens customer loyalty and generates additional revenue while lowering costs. Let's now better examine each wave.

Each of the waves had a clear beginning, but they are **ongoing and cumulative** in nature (Figure 1).

Figure 1. The Three Waves of Customer Care



Wave 1: Cost and Efficiency

This wave began in earnest the 1980s and was focused on the contact center as a **place** seeking fast, predictable outcomes and minimal expense per customer interaction. This wave brought focus on continually decreasing costs while maintaining care standards.

Cost management technologies are exemplified by 800 number (or Freephone) service and the automatic call distributor (ACD) itself, which has been tuned and optimized over the years by numerous refinements that seek to gain all possible efficiencies out of each customer interaction. Contact center technology providers that started in the early days of wave 1 include “big-iron” appliance vendors that even today tend to focus on reducing the transactional cost of voice calls into and out of the contact center.

Interactive voice response (IVR) systems were deployed in wave 1 to divert calls from more expensive agent assistance to lower-cost self-service. Comprehensive reporting and analytics tools were developed to monitor, analyze, and optimize each phase of the call flow. The primary business processes supported were inquiry, billing, and sales. Important metrics include Average Speed of Answer (ASA), Average Hold Time (AHT), agent occupancy, and cost per call.

In more recent years businesses have deployed workforce optimization (WFO) and analytics tools to further reduce the cost of providing customer service. And of course tremendous savings and efficiencies have been realized by the ongoing migration of contact centers and telephony from circuit-switched to packet-switched (IP) networks.

Although wave 1 began more than 30 years ago, it continues to this day as businesses and organizations constantly strive to cut expenses and operating costs. Modern innovations include Session Initiation Protocol (SIP) Trunking to optimize multimedia routing, contact center as a network or cloud service, and virtualization of the agent-supervisor workspace.

Wave 2: The Customer Relationship

This wave has its roots in the 1990s as contact centers evolved from being primarily a **place** to also encompassing a **system** comprising web, IVR, and customer relationship management (CRM) elements. Customer care expanded beyond workflows being executed by people in a building to include the processes, applications, and data associated with the larger system. This expansion provided the ability to dynamically adjust the level of self- and assisted-service based on the value of the customer - and the interaction - to the business. Some have termed this care “segmented” customer care. For example, a lower-priority caller might be diverted to an IVR while a gold card customer would go into a minimal-wait queue to speak to a specialist agent. Wave 2 met the need to match the right customer to the right channel for care.

Of particular value are intelligent queuing and self-service at the edge of the network that realize wave 1 efficiencies while providing the dynamic, contextual services of wave 2. From self-service the call may escalate to assisted service, where the agent has full knowledge of what has already transpired during the call.

Wave 2 is about knowing the customers and what they need so that their interactions with the contact center can be optimized. Optimized experiences require knowledge of customers’ history, status, and context - including any information gathered during the actual call (for example, from an IVR or more recently from a self-service web session). Reporting systems must account for this information and all system elements to provide decision makers with the metrics needed to evaluate and improve the care model.

In wave 2, service inquiry, billing, and sales are conducted with the help of automated systems. IVR systems provide voice self-service, whereas web systems provide online care. Computer telephony integration (CTI) and intelligent routing provide valuable customer segmentation and context. New metrics included customer retention and acquisition, service personalization, up-sell and cross-sell, and wallet share.

Technology providers such as Cisco that started in wave 2 tend to have strong multichannel portfolios (or partnerships), CTI integration technologies, and next-generation IVR platforms.

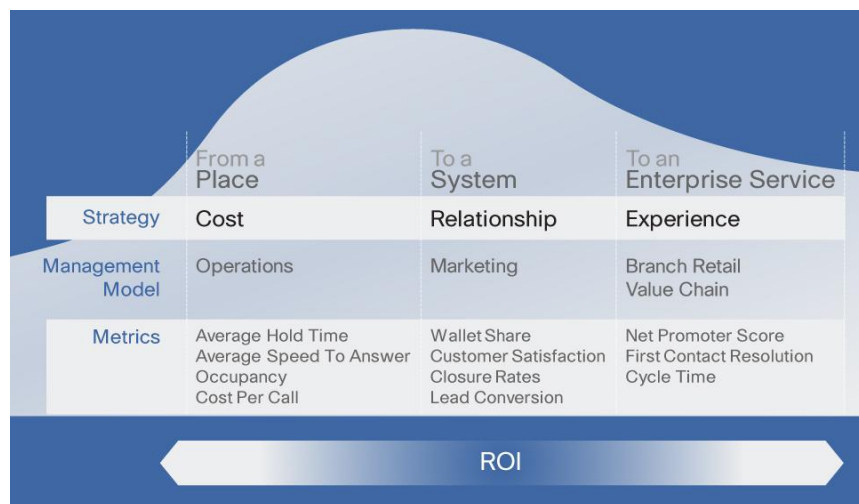
As described earlier, the three waves are ongoing and cumulative, so even as wave 2 matured through the 1990s and into this century, wave 1 was still accelerating innovation in the contact center. Wave 2 advancements continue today with the continuing evolution of web, voice, and video portals and speech analytics applications that can provide real-time guidance to agents and supervisors during the call.

Wave 3: The Complete Experience

The third wave began in the mid to late 2000s and was unique in that many aspects of it were led by customers, not enterprises. Modern consumers are moving beyond the traditional channels of business interaction as they embrace new media and access methods such as video, mobile, and the social web. Consumers now expect to interact with people across the full spectrum of a business, whether it is with an employee at a retail branch, a marketing manager, a product expert, or an agent at a contact center. And they demand a consistent, contextual experience while doing so: For example, is an agent in an outsourced contact center aware of a promotion at a local retail branch office?

Bringing these new customer touch points into the network of people and systems in businesses is the challenge of wave 3. That is why the contact center is now evolving to an **enterprise service** (Figure 2) as the processes of customer care literally need to be available to and orchestrated across a variety of people and systems both inside the company and beyond. Customer service representatives and marketing make promises that the entire organization needs to deliver on. Contact centers cannot resolve complex problems by themselves; they rely on resources throughout the organization - and sometimes outside it.

Figure 2. Evolution of the Contact Center



The new metrics include Net Promoter Score, cycle time from the opening to the closing of a customer interaction, and of course first call resolution. Technologies employed to manage these metrics include social mining, enterprise social software, mobility applications, and proactive care technologies such as communication-enabled business transformation (CEBT.) These metrics and technologies link together elements of the value chain such as branch offices, call centers, outsourcers, and retail locations and extend the customer care process into emerging social channels and user devices - helping create a positive, consistent experience that promotes strong, enduring customer loyalty.

Wave 3 has some clearly identifiable trends that emerged over the last few years - social media, video, intra-enterprise collaboration, and proactive contact being good examples. Wave 3 investments are focused on moving the customer management process into the new channels such as social media, but there is also a tremendous increase in branch office, retail, and contact center integration as agents and supervisors increasingly need to collaborate with distributed locations. Proactive care is also on the rise - not only notification of existing customers but also the integration of the communications network into the workflow of the company. For example, businesses are using social media customer care products such as the Cisco SocialMiner[®] solution to find and respond to positive and negative customer experiences in social forums, and to reach out to consumers in response to critical life events (marriage, moving to a new city, birth of a child, etc).

When the contact center was just a place, the emphasis was on appliances that could provide economies of scale. When the contact center became a collection of systems, the emphasis was on integration with IVR and CTI elements. Now that the contact center is becoming an enterprise service, the emphasis is on a platform that can provide economies of scope. Contact center vendors such as Cisco with a network-centric architecture are thriving during this transition, while certain traditional vendors are finding it far more challenging to make the technology leap.

Conclusion

As we have seen, the contact center has evolved from a **place** to a **system** to an **enterprise service** in response to the goals of lowering costs, improving the customer relationship, and delivering a complete experience. The waves are sometimes seemingly at odds with one another, as business managers are challenged to simultaneously control costs, manage more effective customer transactions, and embrace new channels and media.

So what are some keys to successfully managing each new wave, even as the previous waves roll onward? How can businesses and organizations reduce risk and get the most value out of their investments in contact center innovation? One key is for companies and organizations to strike the right **balance** in support of their specific business goals and brand. There is a return on investment (ROI) associated with each wave, and it is up to each business to seek the ROI that is best for them. Another key is to select a vendor (or vendors) with a proven track record of navigating through multiple market transitions and with an architecture that accommodates previous investments as well as current and future innovations. Strongly consider vendors that **do not** require a complete system upgrade to attain wave 3.

For a closing example, let's return to our opening discussion of Customer Collaboration and ask ourselves within which of the three waves it resides. The answer, as you might now expect, is **all of them**, for although Customer Collaboration was born in wave 3, it clearly helps to improve the customer relationship even as it enables customer care providers to be more efficient and effective.

Customer Collaboration helps companies execute across all three of the customer care waves: cost, relationship, and experience. As discussed previously, however, it is up to each business and organization to decide what balance between the waves is right for them and their own business goals. That is the key to riding the three waves.

For More Information

For more information about Customer Collaboration and Cisco® customer care products, please visit:
<http://www.cisco.com/go/cc>.



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