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*IBM Institute for Business Value*

Financial Services

**Integrating sales  
with service in  
financial services  
customer care  
centers**



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# Integrating sales with service in financial services customer care centers

## Executive summary

Over the past decade, companies in multiple industries have come to see customer care centers (CCCs) in a new light: as critical components of their customer service and distribution strategies. No longer regarding the running of CCCs solely as a necessary cost of doing business, executives are becoming savvy to CCCs' previously untapped potential to boost revenue while broadening and strengthening customer relationships.

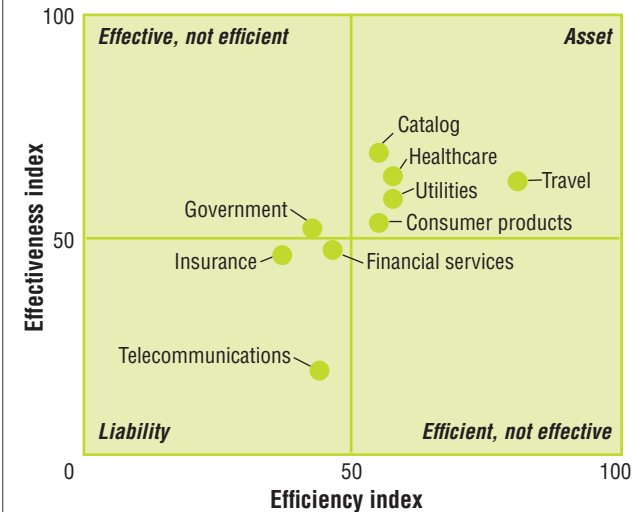
As a result, spending on CCCs is on the rise, with global technology spending expected to grow at more than 7 percent per year, from US\$3.6 billion in 2003 to US\$5.1 billion in 2008.<sup>1</sup> But, so far anyway, the results of this newfound focus have been weak, especially for financial services firms.

Despite comprising nearly 23 percent of the U.S. CCC market, behind only telecommunications and technology (25 percent) and retail and manufacturing (27 percent),<sup>2</sup> the efficiency and effectiveness performance of financial services firms' CCCs has lagged that of most other industries (see Figure 1).

Even the efforts of firms that have launched new and innovative initiatives have been hampered by their inability to achieve more than one of the three key value creation objectives – *reducing costs*, *increasing revenue* or *retaining customers*. Despite firms' investments in performance improvement, lack of an integrated approach to value creation often prevents initiatives from providing the desired strategic results.

A recent IBM Institute for Business Value study shows that few financial services firms have been able to strike the appropriate balance among all three value creation

Figure 1. Customer care center performance by industry.



Source: Anton, Dr. Jon. "eBusiness Best Practices for All Industries." Benchmark Portal. February 2004.

objectives. Truly optimizing the value of CCCs requires an integrated approach that blends business priorities into a cohesive strategy.

An integrated approach will require strategic CCC investments in several areas at once:

- Improving contact flow management
- Optimizing workforce productivity
- Standardizing processes and infrastructure
- Achieving optimal customer profitability.

Financial services firms are expected to keep investing heavily in CCCs. A better awareness of the required trade-offs is necessary to craft a comprehensive strategy to gain the greatest returns on these investments.

## Objectives can seem incompatible

As financial services firms try to meet specific business imperatives, such as “selling more,” “lowering costs” and “improving the overall customer experience,” they are not always cognizant of the adverse impact of their actions on other business objectives. The ongoing challenge, then, is to find the optimal balance among three main objectives that sometimes seem to conflict with each other:

- *Reducing costs and increasing efficiency* – Lowering the costs of staffing, equipping and operating CCCs, while continuing to meet performance goals.
- *Increasing sales* – Building infrastructure and training staff to identify and pursue cross-selling and up-selling opportunities more effectively.
- *Retaining customers* – Meeting customer needs by identifying customer calls and routing them to appropriate sales and service channels, and improving the customer experience by being courteous and responsive.

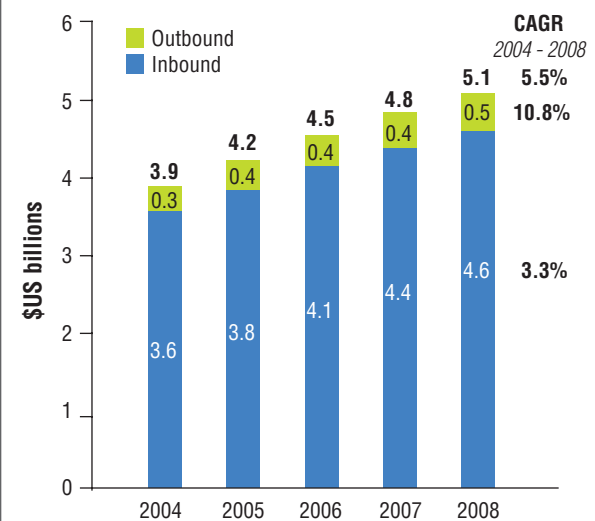
Balancing all three is the key to optimizing CCC value. Excessive focus on costs is likely to limit revenue potential and negatively impact customer retention. Supervisors may emphasize metrics too heavily (such as average handling time). Or, inadequate investment in training and compensation may result in poorly trained, unmotivated agents who are unlikely to be effective sellers or satisfy customers.

Similarly, strongly pushing revenue growth can raise costs and lower customer satisfaction if customers feel they are getting the “hard sell.” An excessive emphasis on customer retention could increase costs and limit revenue growth if the focus on ease of use and customer satisfaction hampers proactive selling of new products and services.

## What’s happening now in care centers

Across all industries, IT investment is growing for both inbound and outbound capabilities, with over 90 percent of IT investment devoted to inbound. Outbound technology investment will continue to be constrained by new regulations that limit firms’ ability to call customers, but inbound technology revenues are expected to reach US\$4.6 billion by 2008 (see Figure 2).

**Figure 2. Projected global customer care center IT investment.**



Source: “Contact Center Component Technology to 2008.” Datamonitor, May 2004.

## Integrating channels enterprisewide

A great deal of CCC investment is prompted by the need to integrate enterprise resources across channels, using a mix of technology and people-oriented solutions. In fact, while spending on multichannel IT for CCCs represented nearly 10 percent of total IT spend on North American CCCs, multichannel IT is projected to account for 28 percent of total North American IT CCC spend by 2007.<sup>3</sup> These solutions encompass multiple categories: branch, Internet, wireless, call center, ATM/kiosk and relationship sales.

**Aiming for efficiency**

As companies seek to improve CCC efficiency, rising costs – especially for labor – pose a major challenge. One reason is the investment needed to hire, train and retain agents, an ongoing concern because of high turnover rates. With a reported total cost of US\$15,280 to bring on a new agent, hiring expenses for financial services are far higher than for other industries.<sup>4</sup>

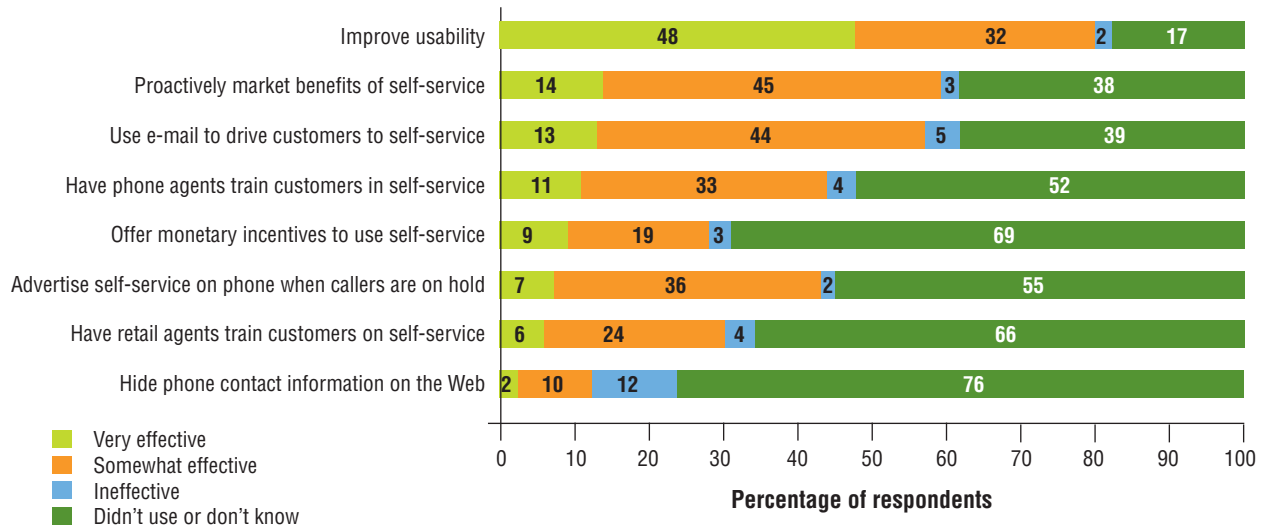
In order to better track efficiency and identify areas for improvement, companies in multiple industries are using more rigorous, detailed performance metrics. A cross-industry survey found that the three most common measurements used are *abandonment rate* (used by 20 percent of respondents), followed by *service levels* (17 percent) and *average time in queue* (16 percent).<sup>5</sup> In addition, the majority of firms are employing multiple methods to encourage customer self-service, with varying effectiveness (see Figure 3).

Some industries are increasingly pursuing outsourcing to improve efficiency, for both inbound and outbound CCC activity. Though financial services firms recognize that outsourcing – to both domestic and overseas service providers – is a way to lower costs and offer round-the-clock service, they are also discovering that there can be drawbacks as well. The challenges associated with outsourcing include:

- Enabling data integrity and security
- Providing transparency in customer interactions
- Meeting realtime processing requirements
- Complying with regulations
- Managing dispersed teams.

Recently, some financial services firms have scaled back their outsourcing of CCCs while continuing to pursue other global sourcing strategies.

**Figure 3. Effectiveness of methods used to promote customer self-service.**



Note: Survey base: 176 North American firms with annual revenues of US\$500 million or more (percentages may not total 100 because of rounding).  
Source: Forrester Research, January 2005.

**Boosting effectiveness of sales and service**

To improve the sales and service effectiveness of CCCs, companies across industries again will need to consider the optimal combination of human and technology solutions. With well-trained agents on board, intelligent call routing technology can be leveraged most effectively. Call routing applications identify customers and directs their calls to the appropriate agent or self-service channel based on:

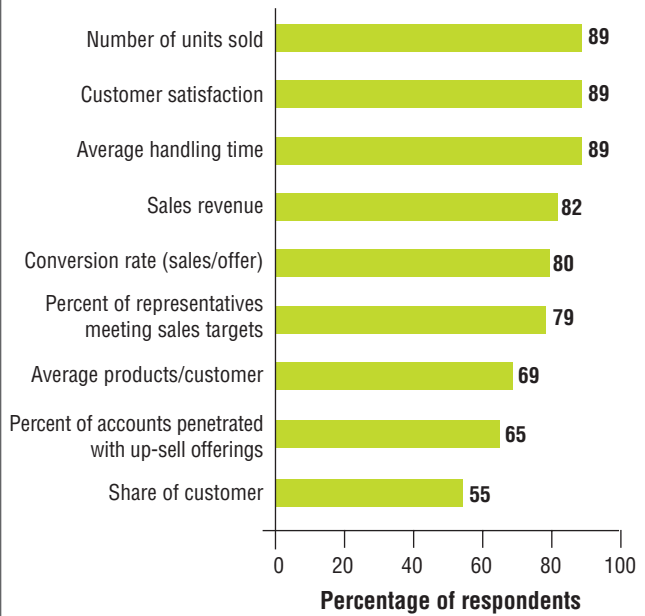
- Customer history and status
- Type of service needed
- Customer preferences (for example, using electronic chat instead of live telephone calls).

Calls can even be routed to match customer needs with agent skills, such as product knowledge or languages spoken. With this information, intelligent routing rules support a positive customer experience across channels.

Even with the most advanced call routing technology, CCCs are still heavily dependent on the skills of individual agents to make sales and meet customers' needs. One way to boost agent effectiveness is to increase their ability to understand customer needs and provide them with the appropriate mix of products and services. Sales techniques – such as active listening, probing to spot unmet needs and identifying potential customer savings by adding products or services – continue to be a part of agent training.

The most-used measures of agent performance illustrate the dual focus on providing service *and* selling – the potential conflict between the two is clear. No longer are agents evaluated only on traditional CCC metrics like *average handling time* and *customer satisfaction*; the top four metrics in 2003 included *number of units sold* and *sales revenue* (see Figure 4). Today, an agent must strive to keep customers happy while selling them more, in less time. And, even though there has been a trend toward deemphasizing average handling time as a primary metric, the presence of daily sales targets continues to drive agents to spend as little time as possible handling individual calls that are unlikely to result in new sales.

**Figure 4. Most common metrics used to evaluate agent performance.**



*Note: Survey of 59 sales and service leaders from 57 leading companies across 20 industries.*

*Source: "Service-to-Sales Excellence: Developing Service Representatives into High-Sales Achievers." Best Practices LLP. May 2004.*

Undoubtedly, this pressure to “wear two hats” has contributed to financial services’ full-time agent turnover (27 percent) being higher than all industries except automotive.<sup>6</sup> To help prevent agent burnout and avoid the cost of hiring each new agent, industry leaders are recognizing the potential returns from providing training to convert service-only agents into service/sales agents.

When the emphasis is on “converting” internal service representatives into sales agents, transforming service-oriented centers into high-performance service-and-sales operations is more cost-efficient. Respondents to a benchmarking survey reported a 66 percent effectiveness rate when hiring new sales-oriented agents, compared to 72 percent effectiveness of training incumbent agents.<sup>7</sup>

This approach also means lower recruiting and training costs since managers can select candidates with proven customer service ability. In addition, existing employees already have customer relationships, as well as company and product knowledge. What's more, internal recruitment reinforces a visible CCC career path.

Consolidation of CCC center capabilities into fewer facilities can also improve the returns from CCCs. If initial costs can be justified, consolidation can offer benefits in both efficiency and effectiveness. Consolidation also helps firms to achieve consistency in service quality, reduce IT spending, lower training costs and speed the rollout of new marketing initiatives. Firms have to weigh potential benefits against the impact of costs, including facilities (50 percent), headcount (30 percent) and technology (20 percent).<sup>8</sup>

Because of these costs, consolidation is not a good option for all. But it often makes sense for firms saddled with redundant capabilities due to rapid growth in multiple geographies or large acquisitions.

### Strategic financial services initiatives

Finding the right mix of people and technology is essential for stronger returns. To date, financial services firms have enacted a wide range of strategic CCC initiatives, with varying degrees of success.

Some firms have made cost reduction the top priority, while others emphasize either improved revenue or customer retention. Successful firms are those that are able to leverage technology in tandem with thoughtful people strategies that focus on motivation and retention.

#### **Initiatives to lower costs**

Methods to reduce costs can take many forms, including:

- Migrating customers to lower-cost channels
- Improving workforce deployment and agent productivity
- Outsourcing CCC operations.

Companies are looking for ways to more effectively use their workforces to reduce costs. For example, organizations have explored models whereby high cost, experienced agents support junior agents via internal chat sessions to provide superior service at a lower per unit cost. As part of its focus on cost reduction, Nissan Motor Acceptance Corporation (NMAC) enacted a workforce optimization effort.

#### **Reducing costs: NMAC<sup>9</sup>**

With a goal of improving workforce deployment and agent productivity, NMAC uses a workforce optimization program to automate planning and add flexibility to agent work schedules. NMAC introduced "progressive shifts," whereby staffing is heavier on Mondays and Tuesdays to handle a typical surge in calls at the first half of each week.

Results include:

- Unplanned overtime decreased by 39 percent
- Agent response time increased by 66 percent (to less than 50 seconds)
- Call abandonment rates plummeted by 66 percent, to just 2 to 5 percent
- Managerial administration hours reduced by 58 percent
- Agents' adherence to schedules rose from 70 percent to 95 percent.

#### **Initiatives to raise revenue**

Efforts to increase revenue include:

- Providing training tools and incentives that encourage and enable agents to cross- and up-sell
- Segmenting customers and developing targeted sales efforts
- Integrating product and channel strategies to optimize sales.

To grow the top-line, firms are recognizing the value of teaching agents not only how to provide better service, but how to sell. Where possible, incentives that enable agents to further their careers (for example, through tuition grants or career opportunities in the organization) can help create a sense of pride and ownership with significant positive impact to CCC performance. SunTrust Online aimed to increase revenue through a focus on agent training.

### **Increasing revenue: SunTrust Online<sup>10</sup>**

To improve cross-selling to customers, SunTrust customer service representatives are trained as "financial physicians" who are equipped to walk customers through product options, based on existing assets and transaction history.

Results include:

- Increased cross-selling activity
- Over half of all sales referrals now come from customer service representatives
- Customer care center is no longer a "cost drain," but now breaks even.

### **Initiatives to keep customers**

Initiatives to retain customers include:

- Integrating channels to provide optimal, consistent service
- Sharing customer data across channels and LOBs
- Tailoring services to customer needs and preferences.

Financial services firms are aiming to retain their customers through various process and infrastructure improvements, including the use of online collaborative support to seamlessly link calls with call centers. Firms continue to innovate in their quest to provide differentiated customer service. IndyMac Bank, in this case, emphasized more personalized customer service to improve its customer retention rates.

### **Retaining customers: IndyMac Bank<sup>11</sup>**

To improve customer satisfaction and help mortgage customers through the often trying loan application and closing processes, IndyMac provides customers with full access to all parties involved in the loan process through its customer care centers. It also includes access to 24/7 live chat through its Web site and equips agents with multiple tools and educational content for mortgage purchasers. The enhanced loan process was geared to raise close rates and reduce drop-out rates (when applicants fail to complete the process due to frustration with lengthy delays or uncertainty about the mortgage loan process). As a result, the change contributed to 41 percent mortgage volume growth between 1999 and 2004 (compared to industry average of 8 percent).

## **In search of equilibrium**

True value optimization for CCCs requires an integrated approach. Strategic priorities must be reexamined to understand how to create the optimal mix of reduced costs, higher revenue and improved customer retention rates (see Figure 5).

By reassessing all aspects of center operations, strategic CCC investments can be prioritized according to opportunities spanning multiple functional areas:

- Improving contact flow management
- Optimizing workforce productivity
- Standardizing processes and infrastructure
- Achieving optimal customer profitability.

### **Improving contact flow management**

Better management of contact flow requires standardized processes, workflow and business rules across the enterprise and across channels. Along with reducing agent work volume, improved contact flow provides customers with appropriate levels of service in several ways:

- *Identify and segment incoming calls* – Using interactive voice response (IVR) in combination with customer data to determine customer needs, existing relationships, past interactions and recent transactions across all channels. In addition, by using customer lifetime value or tiered customer ratings (such as gold, silver and platinum), banks can also tee up segment-aligned products and services that provide special price considerations.
- *Direct calls to appropriate levels of service* – Using skills-based routing and an agent proficiency matrix to route transactions to the agent who is best equipped to complete the call successfully on the first attempt.
- *Increase levels of self-service, where appropriate* – Directing customers to lower-cost channels, including IVR and the Web. However, this strategy must be well thought out since a poorly designed self-service offering risks increasing the number of online calls exponentially, to the detriment of the initial objective.

**Figure 5. Integrating strategic priorities to optimize customer care center value.****Integrating selling into CCC functions**

- Training, enabling and providing incentives for agents to cross-sell and up-sell
- Segmenting customers and developing targeted sales efforts
- Integrating product and channel strategies to optimize sales

**Creating a low-cost, highly efficient environment**

- Migrating customers to lower-cost channels
- Improving workforce deployment and agent productivity
- Consolidating and outsourcing customer care center operations

**Providing customers with a range of tailored product and service options**

- Integrating channels to provide optimal, consistent service
- Sharing customer data across channels and LOBs to standardize experience
- Tailoring services to customer needs and preferences

Source: IBM Institute for Business Value analysis.

Contact flow management is an opportunity to reduce *costs* by limiting manual handling of routine calls and reallocating resources to focus on more complex, valuable interactions. Appropriately equipped agents can focus on cross-selling to increase *revenue*. In addition, matching customer needs with the right agents on every call will improve service and satisfaction, ultimately helping to raise *customer retention* rates.

**Optimizing workforce productivity**

With workforce optimization, productivity gains are made by combining better tools, training and incentives for agents with effective performance management and measurement. Better customer service goes hand in hand with higher productivity, through actions that include:

- *Match workforce levels and agent skills with demand* – Using workforce management applications that address scheduling, forecasting workloads and budgeting requirements.
- *Optimize agent performance to improve efficiency and raise employee and customer satisfaction* – Cultivating talent by recruiting agents with specific skills; tying

agent compensation to organizational and CCC metrics; equipping agents with desktop tools that support customer-facing processes, integrated scripting and knowledge management; and rewarding innovation and the sharing of scalable ideas.

- *Provide monitoring tools to managers and agents to raise productivity and service levels* – Utilizing performance metrics systems that drill down into aggregated data; performing root cause analysis and identifying best practices; and instituting quality-monitoring programs that track and evaluate agent interactions with customers.

Workforce optimization can reduce *costs* by enabling agents to handle calls more efficiently in less time, and by matching the number of agents to call volume. It can generate *revenue* by providing agents with the training, tools and incentives to sell more effectively. Higher *customer retention* can result from better service by trained agents who match needs with appropriate products and internal resources.

### **Standardizing processes and infrastructure**

Process and infrastructure standardization entails rationalizing and integrating processes, data, applications and facilities across channels and lines of business (LOBs). Best-in-class capabilities can be leveraged across customer care functions in various ways:

- *Integrate processes across channels and customer care functions* – Eliminating redundant processes and activities; identifying and leveraging best-in-class processes across channels; and fully integrating electronic channels with existing CCC operations.
- *Develop common capabilities to support core customer functions* – Adopting universal queuing, routing and reporting; providing universal access to customer databases to enable the delivery of consistent customer support; developing common management and monitoring across all communication channels; and cross-training agents to support newer e-mail and text chat functions.
- *Standardize applications and infrastructure* – Rationalizing CRM, financial, human resources and enterprise resource applications to enable multi-channel transaction handling and increase visibility into customer interactions.

Process and infrastructure standardization lowers *costs* by reducing redundancies and leveraging the best, lowest cost practices across the CCC. Increased *revenue* can come from a unified view of customer data, realtime transaction history and access to point-of sale applications across LOBs. And, better *customer retention* can result from giving customers a consistent experience and a “single face” through all channels.

### **Achieving optimal customer profitability**

Optimal customer profitability requires identifying and targeting customer needs with tailored customer service and product offers, including the following actions:

- *Route customer calls to appropriate channel or media* – Identifying and segmenting customers by needs and preferences, based on data from all interactions and transactions
- *Build cross-selling and up-selling capabilities* – Enabling agents to identify opportunities and close sales
- *Make outbound customer acquisition and retention calls* – Targeting desirable existing and new customers in target segments.

Customer profitability typically goes up when resources can focus on calls with higher returns; less time (and *cost*) is spent on routine calls and less profitable customers. Identifying and targeting customer needs with tailored products and services customarily raises *revenue* by boosting cross-selling, share of wallet and lifetime value of customers. Products, services and offers that match customer needs will help enable higher *customer retention*.

### **Sales plus service: Firms see the light**

As financial services firms seek greater value from their CCCs, the necessity of integrating sales and service has seen the light of day. When firms choose from various CCC solutions that leverage both people and technology, striking that balance among often-competing business directives is the key to profitably integrating sales with service.

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