First Call Resolution is One of the Best Ways for Driving Down Cost

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Introduction

A question SQM is often asked is…'what are the best ways to drive down cost?' The most common practice used to drive down cost is for call center management to focus on improving Customer Service Representative (CSR) productivity and reducing telecommunications and technology cost. However, it is SQM's opinion that one of the best ways to drive down operating cost for most call centers is to achieve first call resolution (FCR). It is also SQM's belief that achieving FCR for most call centers is the most important performance metric that the call center can positively contribute to reducing organizational cost. In addition, for every 1% improvement in FCR, you get a 1% improvement in customer satisfaction. FCR is highly correlated to customer satisfaction. In fact, FCR is the highest correlated measure to customer satisfaction of all the call center measures. It is also important to mention that the absence of FCR is a huge driver of customer dissatisfaction. SQM's assessment of FCR being one of the best ways to drive down cost is based on our 2007 benchmarking study of over 300 leading North American call centers. Our 2007 benchmarking study has surveyed over 1 million customers who called a call center and also surveyed over 22,000 employees who work in a call center. It is also important to mention that SQM has been conducting call center benchmarking studies for 12 years. This article explains how to measure FCR and why achieving FCR will drive down call center and organizational operating costs.

Defining and Measuring FCR and Call Resolution

Most call centers are unsure how to define and measure FCR or call resolution. SQM's definition of FCR is that the… **"C*ustomer's inquiry or problem is resolved in one call*"**. Furthermore, the customer must be the judge of FCR/call resolution and not the call center management. We are often asked what the difference is between FCR and call resolution. The main difference is that for call resolution to occur it might take more than 1 call to resolve, whereas FCR takes only one call to resolve. SQM believes having the customer be the judge of FCR/call resolution is the best practice. Call centers can use internal FCR/call resolution measures but these measures are less effective and accurate. Call centers self-reported internal FCR ratings are approximately 20% higher than the customers' FCR ratings. Listed below are 7 ways to measure FCR/call resolution (script, IVR, telephone surveys and the voice menu are the only measurement methods where the customer determines if their call was resolved on the first call).

1. ***QA Call Monitoring…*** QA evaluators determine if the call was resolved
2. ***IVR Surveys…*** customer completes an (inbound or outbound) IVR survey and is asked if their call was resolved
3. ***Call Backs…*** FCR/call resolution is determined based on whether the customer called back within 2-5 business days
4. ***Script…*** CSR asks the customer at the end of the call if their inquiry or problem was resolved (Can be linked to QA evaluations)
5. ***Telephone Survey…*** customer is surveyed within 1-3 days of the call and asked if their inquiry or problem was resolved
6. ***Case Mgmt/CRM…*** CSR uses their desktop software application to capture whether the customer's inquiry or problem was resolved
7. ***Voice Menu…*** customer is asked in the voice menu if this is the first call they have made for their inquiry or problem

The best approach for measuring FCR/call resolution is to measure from the CSR to the Vice President (VP) level. SQM clients who have experienced the most FCR/call resolution improvement have created FCR/call resolution accountability at all levels. Best FCR/call resolution measurement practice is to use a short 3 to 4 minute outbound IVR survey calling back customers within 5 to 10 minutes of their call with a sample size of 5 to 20 surveys per month per CSR. It is SQM's experience that the IVR survey data is more accurate than any other FCR/call resolution measurement technique and you can report out the data every hour for 12 hours a day and everyday the call center is open.

Why FCR is one of the Best Ways to Drive Down Cost

This section focuses on why FCR improvement can help reduce your call center's operating cost and also reduce customers at risk of going to your organization's competitors. It is important to mention that there is a cost when your customers go to your competition that in most cases goes unreported. It is SQM's experience that FCR performance has a direct impact on call center operating cost and a direct impact on the organizational operating cost.

Reduce Call Center Operating Cost

Chart 1 shows if you are running a 68% FCR rating, which is the call center industry benchmark average, you need to understand that 32% of your customers are going to have to call 2 or more times to get their call resolved. It is important to also note that the call center industry average is 1.5 calls to resolve a customer's inquiry or problem. This represents an enormous opportunity to reduce your call center's operating cost.

Chart 1. Call Center Industry First Call Resolution Performance

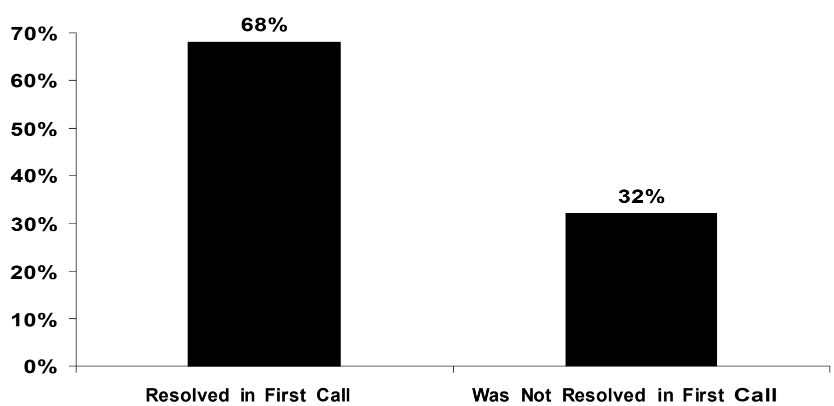


Chart 2 shows that the impact of unresolved calls on a call center operating cost is huge. For example, based on an annual volume of 2,000,000 inbound calls and 32% of customers who had to make 2 or more calls to resolve their inquiry or problem, the financial impact on the call center direct operating cost is an additional $1,248,649. It is very clear that an effective call escalation process can avoid a lot of the additional calls to resolve and at the same time improve customer satisfaction and retain the organization's customers. SQM research clearly shows if call escalation is handled effectively customer satisfaction does not drop. However, there is a 20% point drop in customer satisfaction for each additional call required to resolve the customer call. Also, total average handle time (AHT) is shorter with the original CSR and the escalation CSR versus 2 or more individual CSRs handling the call separately.

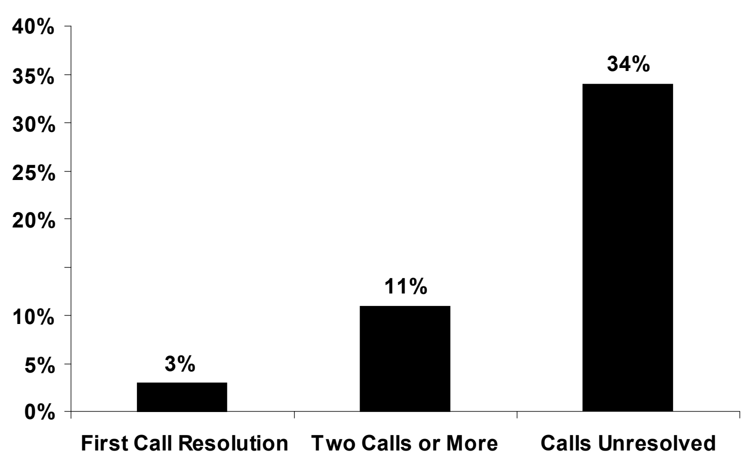
Chart 2: Unresolved Calls Impact on Operating Cost

Unresolved Calls Impact on Operating Cost Based on an average annual volume of 2,000,000 inbound calls		
# of Calls Made by Customer	**% of Customers Who Made 2 Calls or More**	**# of Additional Calls Made**
2 Calls	19%	190,000
3 Calls	10%	133,333
4 Calls or More	3%	45,000
Total	32%	368,333
$3.39 (Cost Per Call) X 368,333 (Additional Repeat Calls) = $1,248,649		

Reduce Organizational Operating Cost

Chart 3 shows that if the customer's inquiry or problem is resolved in the first call only 3% of those customers are at risk to go to your competitors. Conversely, 34% of customers who did not get their inquiry or problem resolved are likely to go to your competitors. Most call centers are not aware how much revenue they are losing or the cost to the organization of a customer's inquiry or problem going unresolved. The bottom line is that FCR is the most important area for the call center to contribute for helping their organization reduce its operating cost and protect its customer base from going to their competitors.

Chart 3. First Call Resolution Impact on Customers at Risk



Call Resolution Impact on Call Center Customer Loyalty Impact Indicators

Chart 4 shows that customers who did not get their call resolved have a huge negative impact on call center customer loyalty impact indicators such as call center overall customer satisfaction (Csat) and likelihood of continuing to do business. In fact, customers who did not get their call resolved are 5 times more likely to defect than customers whose call was resolved. Customers who got their call resolved have substantially higher call center overall Csat and are much more likely to continue to do business with the organization. It is very clear from SQM's research that when a call is resolved the call center did its job in retaining the customer for the organization and helped the organization with its operating cost because it is less expensive to keep an existing customer than having to find a new customer. It is also very clear from SQM's research that when the call is resolved on the first call the customer is most satisfied and the call center benefits from not having to take 2 or more calls to resolve the call.

Chart 3: Call Resolution Impact on Call Center Customer Loyalty Impact Indicators

Call Resolved	Percent of Customers	Call Center Overall Csat	Customer **Will Not** Continue to do Business with Organization
Customers who got their call resolved	86%	73%	5%
Customers did not get their call resolved	14%	16%	25%

Using a Cost Per Call Resolution Measure to Drive Behavior Change

Cost per call, in our view is an outdated concept and encourages short term thinking and wrong behavior. Cost per call forces the call center to focus on handle time and results in CSRs hurrying customers off the phone in order to meet their productivity metrics. Also, CSRs feel stressed and handicapped by the organization to properly service customers. Supervisors suddenly start to look a lot like a militia under the banner of handle time. And customers feel the effects by ending a call confused, unsure of the next steps, and having to call back. So, the short term win of reducing handle times has actually caused a bigger problem of more calls, which has the effect of making the original problem worse.

The right approach is to shift traditional thinking to cost per call resolution. Cost per call resolution is the ability to determine how much it costs to resolve a customer's inquiry. When people focus on what it costs to resolve a customer's inquiry they realize the biggest driver of cost per call resolution is a second call coming in and so their focus stays on doing the right thing for the customer and for the organization – ensuring that as many customers as possible don't need to call in again. From the CSR's perspective the driving force for their behavior is "what do I need to do on this call to ensure that my customer does not need to call back?"

The definition of cost per call resolution is – the average cost that it takes the organization to resolve a customer's inquiry. It is calculated by understanding the average number of calls a customer has to place into the organization to get their issue resolved multiplied by the cost per call.

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How to calculate cost per call resolution:

1. Determine how many calls it takes a customer on average to get their call resolved. This means you have to survey your customers to ask them if their call was resolved and how many calls they had to make
2. Use your cost per call, which is not usually hard to find as most call centers have this number readily available
3. Take the average number of times a customer has to call to get their issue resolved and multiply it by the cost per call

    For example:

    - The typical call center has an 'average calls to resolve' (ACR) rate of 1.5
    - The typical call center has a 'cost per call' of $3.39
    - So their average 'cost per call resolution' is $5.08

Again, focusing on FCR, call resolution and cost per call resolution performance metrics is one of the best ways to improve your call center's operating cost and for having your call center make a positive contribution to your organization's operating cost.

About SQM

Since 1996, Service Quality Measurement (SQM) group has been a leading North American contact channel Voice of the Customer (VoC) research firm expert for improving organizations' first contact resolution (FCR), operating costs, employee and customer satisfaction. We have done this by being operationally excellent at benchmarking, tracking, consulting and recognizing our clients' first contact resolution (FCR), employee (Esat) and customer (Csat) satisfaction performance. Over 70% of our call center tracking clients improve their FCR and operating costs year over year. For the average call center SQM benchmarks, a 1% improvement in their FCR performance equals $256,000 in annual operational savings. Our research also shows that when you improve your FCR, not only do you achieve operational savings, you also reduce customers at risk which is typically a 5-10 times greater savings opportunity than the operational FCR improvement savings.

SQM benchmarks over 450 leading international call centers on an annual basis and has been conducting FCR Csat benchmarking studies since 1996. On an annual basis, SQM also conducts over 25,000 surveys yearly with employees who work in call centers. Our customer and employee call center survey database is one of the largest in North America. SQM does business in 11 countries around the globe: Canada, United States, Argentina, Australia, Puerto Rico, India, Philippines, Costa Rica, Mexico, Dominican Republic and Jamaica.

SQM also benchmarks and tracks all the major contact channels (i.e., website, call center, IVR, email and site). Our site contact channels include branch, retail store, dispatching and service work. By conducting benchmarking and tracking studies on these contact channels, organizations can get insights into customers' experiences using these contact channels individually or using multiple contact channels, to get their inquiry resolved. For all the contact channel benchmarking and tracking studies, SQM focuses on the customer's experience in achieving first contact resolution. SQM conducts over 1 million surveys (over 450,000 live surveys and over 550,000 IVR surveys) with customers who have used a call center, email, website, IVR or site contact channel service.

SQM's Awards Program is the most prestigious and sought after North American contact channel FCR awards program. Our awards are based on customers who have used a contact channel and employees who work in a call center. These awards are considered to be the fairest and most credible service quality awards for measuring the customer's experience when using a contact channel because they are based on FCR performance. We have recognized top performing organizations for FCR, Csat and Esat since 1998. SQM evaluates leading North American organizations such as American Express, UPS, FedEx, Marriott, Sears, Canadian Tire, U.S. Bank, Wells Fargo, Rogers, Capital One, CitiFinancial, Scotiabank, Discovercard and Blue Cross.

SQM's Certification Program is designed to determine if call centers, supervisors and customer service representatives are performing at the world class call FCR and customer satisfaction performance level. Our FCR and customer satisfaction certification program is the most credible and rewarding certification program in the call center industry because certification is based on your customers' experience calling your call center. Certification is based on surveying customers who have just recently called a call center.

SQM offers four different post-contact surveying methods (i.e., phone, IVR, online and SMS mobile). Our post-contact survey is based on proven survey questions that provide accurate results and clear insights on areas to improve. SQM conducts all phone surveys using our own dedicated workforce. All post-contact survey methods can be integrated into one common database. Our call list management system allows us to accurately deliver a survey quota at a customer representative level or any other survey quota level that is required. To ensure the quality of our survey data and feedback collection, SQM monitors 100% of our surveys. The accuracy of each survey method is individually tracked and must comply with our minimum error rate of less than 1%.

Our reporting is available in real time via our secure mySQM web portal or through your mobile phone. Customer representatives and supervisors have direct and secure access to their reports and coaching logs. Your analysts have full access to over 60 FCR Csat pre-formatted reports which can be easily exported. Furthermore, your analysts can sort and search the data for ad hoc reporting. Our reporting capabilities also allow the integration of Csat survey and call quality assurance evaluation data. Raw data is also available in real time.

We have two state-of-the-art research call centers located in Coeur D'Alene, Idaho and Vernon, British Columbia, to conduct professional customer surveys with customers who used a contact channel. SQM is recognized as a leading contact channel research firm VoC expert for analyzing FCR, Csat, and customer experience performance. Our research analyst professionals have strong mathematical academic backgrounds. They also understand contact channels and stay current with the best practices for capturing, analyzing and reporting VoC data and feedback. Specifically, SQM research analysts use VoC metrics such as FCR, Csat and the Customer Protection - CP SCORE™ to truly understand how your contact channel impacts the customer service experience, operating costs and the ability of your contact channel to retain customers.

Call Center Outsourcing Service. SQM offers the capability of handling inbound call center outsourcing service to help organizations in providing a world class first call resolution and customer satisfaction performance. SQM's call center expertise with inbound call center solutions drives world class customer service results. By leveraging SQM's extensive call center industry experience and leading edge technology, your organization will be investing in providing your customer's world class service through SQM's call center outsourcing service.