

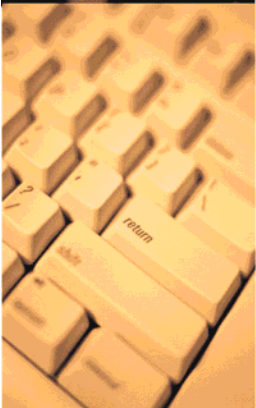


Rewarding and Incenting Customer Service Representatives

A guide to help you keep your customer service teams happy and providing consistently high quality service

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Rewarding and Incenting Customer Service Representatives

Introduction

Effectively rewarding and incenting customer service representatives can be complex. The types of incentives and rewards are important to consider, but certain prerequisites must be in place to ensure that your rewards and incentive program is truly effective. To be comprehensive, this series will cover the following topics:

- Be careful what you ask for
- Empower the front-line personnel
- Align the rest of the organization
- Provide immediate recognition
- Financial incentives

Be Careful What You Ask For

Said differently - you get the behavior that you measure and reinforce. This became glaringly clear to me during an experience I had upon inheriting a customer service organization. As I began the process of coming up-to-speed on the inner-workings of the organization, its personnel, processes, levels of performance and customers, I discovered that we were primarily focused on production metrics, such as: Average speed to answer, call wait time, abandonment rate, etc. To reinforce this set of performance metrics, our employees' quarterly bonuses were tied to the achievement of goals in this area. We were performing fairly well against the goals that had been established. However, when I spoke with customers I realized the effect that this "production focus" was having on customer satisfaction. That is, the customers could tell that our customer service organization was focused on processing calls as quickly as possible, and that "resolving my service issue or question is secondary to efficient call processing." We were getting precisely the behavior we were rewarding, just not the behavior we wanted.

To be clear, production metrics are important *barometers* to monitor in managing a customer service organization. If your organization focuses on production metrics as the "primary" performance indicator, you will get what you asked for. That is, you will perform highly "efficient" transactions with customers. However, you will NOT generate "effective" relationships with your customers. In fact, the customer will KNOW that you are trying to get them off the phone as quickly as possible, to take that "next call." The reality is that you want to ensure that each customer feels that *they* are the most important call that your company is taking (at that time).

Metrics to consider for ensuring that focus isn't merely on production include: number of repeat calls (for the same issue, by the same customer); first-touch resolution; and, most importantly, customer satisfaction.

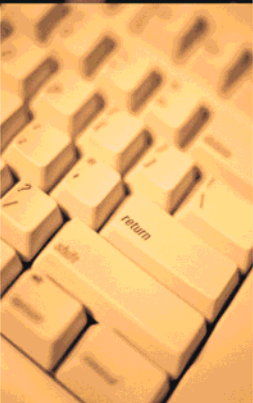
At my company, after we realized that we were focused on production metrics rather than the customer relationship or satisfaction levels of our customer-base, we decided that it was time for a change. While we continued to watch the traditional call center metrics, we changed our bonus program to be focused on customer satisfaction. And, guess what – quarter-over-quarter customer satisfaction continued to climb! And, the company was subsequently rewarded for this by being acknowledged as #1 in customer service, for their industry.

Empower the Front-Line

Is your front-line restricted from providing exceptional levels of customer service by rigid procedures and micro-management? Not only can this be the MOST frustrating thing that a customer service representative faces, it also has a negative impact on your ability to motivate your customer service representatives. They really WANT to do the right thing, but don't want to get hand-slapped for deviating from procedure. While procedures and guidelines are absolutely critical to ensure a smoothly operating customer service function, it is important to remember that your employees are intelligent human beings with common sense and good judgment.

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Like any normal customer, I suspect that you have experienced situations similar to the following:

Example 1: You are discussing an issue with a customer service representative that would, at the end of the day, cost the firm less to resolve than the cost of the call. However, because the customer service person is bound by rigid procedures, she is required to explain, and explain again, why she cannot take remedial action because it is not standard operating procedure. For those of us that are aggressive, what do we do next? We politely ask "may I speak with your supervisor?" Chancing. Did you just hear more cash leave your coffers?

Example 2: You are at a retail establishment that sells high-end pens. The customer (me) sees a very nice pen in the display case that he'd like to purchase. However, much to his dismay, he learns that the only one left is in the display case. He asks the customer service person "may I buy the one in the display case?" You know the response...So, instead, I end up buying a pen that was half the price.

To achieve an empowered, yet consistent, workforce, you must strike a balance between rigid procedures and individual judgment. You should manage your customer service function with well-defined procedures, yet make it clear that where there are opportunities to "do the right thing for the customer" within certain guidelines, the customer service representatives should do so. After the "transaction" has completed, a discussion can take place, if necessary, to refine the guidelines so that others can provide a similar response if the situation comes up again. And, if it was the wrong decision, which invariably will happen from time to time, then management should diplomatically explain the impact of this decision to avoid it recurring in the future. However, this should NOT be done in a reprimanding fashion. The only time that a reprimand is appropriate is when a customer service representative has demonstrated repeatedly (3 times, at a minimum) his or her lack of common sense and good judgment.

By effectively empowering your customer service representatives to do the "right thing" for the customer, even when it deviates from defined procedures, you will find that employee satisfaction will go up. This occurs because the customer service representatives feel trusted by management to do the right thing for the customer, which is what they REALLY want to do. As you can imagine, this will also have a positive impact on customer satisfaction, retention and finally operational efficiencies.

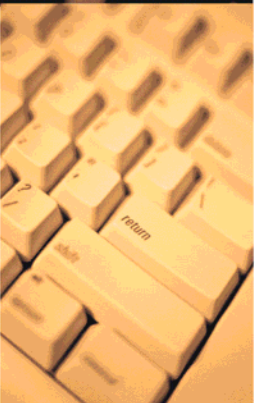
Align the Rest of the Organization

A common goal of many customer service organizations is to resolve each customer's inquiry on the "first touch," without the front-line having to hand the customer off to other parts of the organization. However, customer satisfaction and retention do not rest solely on customer service. The front-line maintains a critical dependency on the "rest of the organization" to effectively service and support the customer base. Organizational dependencies key to achieving high levels of customer satisfaction and retention include:

- **Product Management** – Ensuring that products and services are released only when they are ready, and customer service personnel provide input and receive training on new products and services – in advance of market availability.
- **Sales and Marketing** – Ensuring that expectations are properly set regarding the capabilities, delivery, implementation timeframe and/or performance of the products and services. By doing this, the service organization can effectively meet or exceed these expectations. Have you heard the phrase "under promise and over perform?" Too often, the service organization is placed in the opposite position. That is, something was "over promised" which results in the customer service organization attempting to recover from the situation where the firm is "under performing" to the customers' expectations.
- **Technical Support** – Ensuring a timely response to, and resolution of, customer issues that require a higher level skill set, based on predefined guidelines and priorities. Additionally, ensuring that there is an effective process in place to perform scheduling, planning and

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notification of upgrades / maintenance activities to minimize / eliminate unanticipated impact to the customer-base. Finally, to continuously push capabilities to the front-line to increase "first-touch resolution."

- **Engineering** – Ensuring a timely response to bugs and enhancement requests. This includes providing customer service with a specific timeframe for response, based on predefined guidelines and priorities. The response could include a "commit date" for resolution or an indication that the item will not be addressed at all, and why. This ensures that customer service is not "stuck in the middle" without the ability to set customer expectations. (See the article "Bug Fix Promises?" in issue #32 of our newsletter for more information related to the topic of managing bug reports.)
- **Senior Management** – Ensuring their awareness of, and engagement in, responding to trends that are impacting customer service, satisfaction and retention, by allocating resources to invest in their prevention and/or resolution. To capture the attention of senior management and obtain such a response, you will want to appeal to their concern for customer retention, profitability and operational efficiencies. These are items that are the easiest to put a number (dollars) against. Typically, customer service organizations focus on customer satisfaction, which is important, but can be more difficult to quantify in dollars.

Once your Customer Service team knows that the entire organization is aligned to ensure high levels of customer service, satisfaction and retention, they will be much more motivated to effectively serve your customer. Additionally, you will achieve significant improvements in operational efficiencies (cost savings).

Provide Immediate Recognition

Your customer service representatives have two audiences that they perform for: co-workers (including management) and customers. Both audiences constantly observe your customer service personnel. When employees are "caught" doing something right (at exceptional levels), you need to provide immediate recognition. As previously mentioned, it is critical to reward the behavior you want repeated. If the reward is immediate, the benefits realized will be even greater.

Forms of rewards for immediate recognition don't have to be expensive or complex to administer. Movie tickets or gift certificates to popular restaurants or a local mall are examples of simple, immediate rewards. A more complex, yet highly effective incentive, is a program where customer service representatives earn points for exceptional levels of performance and are allowed to select from a menu of larger prizes. The more points they accumulate, the more valuable the prize.

Another key aspect of immediate recognition is to make it public. When a customer service rep receives a "kudo" (whether from a peer within the organization, or a customer), post the memo/email for all to see. A physical "kudos corner" can be a wall in a common area that employees frequent, with a big sign. As kudos are received, place them in simple frames and post them on the wall for all to see. This can also be highly effective when you are providing customers a tour of your facility; they will get a kick out of seeing kudos provided to your customer service personnel from customers and other employees of your firm. If your firm is geographically dispersed, create a "logical" kudos corner by posting the kudos on your intranet.

Though not a form of "immediate" recognition, you should also acknowledge your "exceptional performers" at your town hall or all-hands meetings. Having a senior manager of your firm read a very brief synopsis of the situation and naming the individual(s) will go a long way towards increasing your customer service personnel's desire to perform at exceptional levels.

Finally, if you wish to put in place an effective immediate recognition program for your customer service representatives, ASK THEM what they would find rewarding! The ideas provided here could serve as fodder for that discussion.



Financial Incentives


Though numerous studies have concluded that money is not the primary factor for motivating personnel to perform at desired levels, financial incentives have their place and should not be left out when designing rewards and incentive programs. We will discuss two approaches for implementing financial incentives:

1. Periodic performance bonuses
2. Performance reviews / merit increases



Periodic Performance Bonuses

Bonus programs provide the "opportunity" for personnel to achieve a predefined financial reward (above and beyond their base salary) for demonstrating superior levels of customer service. The period of performance may vary depending on the organizational level of the personnel. For example, it may be appropriate to have a monthly or quarterly cycle for individual contributors and team leaders. For senior account managers or customer service managers you may want to implement a quarterly or annual cycle.



You can administer periodic performance bonuses for a team or on an individual basis, or both. A team goal could include ensuring that the customer service function makes the appropriate "advances" in line with your overall service level goals. For example, if you have a goal to raise "first touch" resolution rate from 60% to 65% in a given quarter and the team achieves that goal, a predefined bonus is paid to the members of that team.


Bonuses may also be administered based on goals that were established on an individual basis, such as completing a project in an accelerated timeframe or demonstrating exceptional levels of service, above and beyond the normal course of duty.

To achieve the anticipated benefits from a bonus program, you need to ensure that it doesn't become an *entitlement* program, where each person on the staff achieves the same bonus regardless of his or her performance. There must be a clear distinction between what level of performance is required just to keep the job, and what types of behavior demonstrate superior customer service and might merit a bonus.



Performance Reviews / Merit Increases

The key to a performance review is making it a review / wrap-up of what was already covered throughout the prior period (typically a year). That is, there should be NO surprises to your customer service personnel. You should have previously shared the measures and standards of performance necessary to perform the job, and what it takes to demonstrate superior levels of customer service. You should have "visited" their performance against these goals throughout the year, in conjunction with the bonus cycle (discussed above). The performance review is a time to establish longer-range goals and requirements to enable the employee to advance in his or her career. It also includes the all-important salary merit increase. Use your budget for merit increases on an individual basis relative to each employee's performance against personal and team goals and objectives. Be sure to again acknowledge superior levels of performance demonstrated in the prior period, to help ensure that a similar level of performance occurs in the future.



In closing, rewarding and incenting customer service personnel can be a challenge as you seek to achieve the desired levels of performance, benefits and results. Remember, there is no silver bullet. We have provided a portfolio of approaches that, working together, have proven to be highly effective in achieving the desired behaviors and levels of performance from customer service personnel. For additional ideas, we suggest that you read the book 1001 Ways to Reward Your Employees by Bob Nelson and Kenneth Blanchard. This book is featured on the "Additional Resources" section of our website.

More About Customer Centricity, Inc.

Customer Centricity, Inc., is a business consulting firm that works with companies to align their resources to exceed customer expectations in the most efficient and effective manner possible. We leverage our real-world experience to help our clients continuously improve their service delivery and management capabilities to:

- Increase profitability
- Improve customer satisfaction and retention
- Increase operational efficiencies
- Improve employee satisfaction

Customer Centricity optimizes the interaction between people, process and technology in several ways:

- Comprehensive assessment methodology to identify the actions that will yield our clients the greatest return
- Skills Training to enable customer-facing personnel to deliver exceptional levels of customer service
- Design and Implementation of business processes to serve the customer and manage corporate resources in efficient, effective and consistent manners
- Identification of the appropriate business processes to automate, enabling companies to get the most from their investments in technology

Customer Centricity's approach is to work closely with our clients to help them understand what they are doing right, and their opportunities for improvement. We provide pragmatic recommendations that provide immediate benefits, and we drive continuous improvement programs help our clients realize significant return on investment in a very short period of time (measured in weeks, not months or years).

To learn more about Customer Centricity, call 603/491-7948 or visit our web-site, www.customercentricity.biz

