GENESYS
AN ALCATEL-LUCENT COMPANY

The Cost of Poor Customer Service

The Economic Impact of the Customer Experience and Engagement in 16 Key Economies

November 2009

Executive Summary

Snapshot of Key Findings by the Numbers:

USD$338.5 Billion	Cost of poor customer service in 16 key economies
USD$243	Average value (in one year) of each customer relationship lost to a competitor or abandoned
#1	Greatest satisfier across all countries was competent people to assist in any channel
86.4%	Percent of consumers who would welcome proactive engagement to improve their experience through extended offers or help during self-service transactions

One of the first global surveys of consumer attitudes toward customer service uncovered some significant findings in terms of consumer behavior, actionable steps to improve customer service, and business results from the customer experience. In addition, it provides a snapshot of the key shifts in technologies that will allow enterprises to improve customer service. The survey — which covered 16 major economies in North America, Latin America, Asia Pacific, and Europe — seeks to capture the key factors that influence consumer loyalty, satisfaction, and customer service preferences. Nearly 9,000 consumers were surveyed, with a minimum sampling of 500 per country, to determine what companies should be doing to improve the customer experience.

One common element among all countries: poor customer service has a major impact on enterprises worldwide, directly resulting in lost revenue. In virtually every country, customers ended at least one relationship per year due to poor service. Across all countries surveyed, about 7 in 10 consumers have ended a relationship.

The vast majority of lost revenue results in defections to a competitor. Nearly two-thirds of consumers who have ended relationships turn to a competitor, with the remainder lost or abandoned completely as consumers decide not to purchase from anyone. While consumers cannot always abandon a purchase, even previously safe industries — such as utilities — are starting to see losses. For most enterprises, however, consumers are free to choose substitute goods, such as movies instead of cable TV.

Introduction

While many companies are keenly aware of the value of excellent customer service, few can accurately quantify its direct impact on their bottom line. On the face of it, the problem is simple. Most businesses understand that turning the customer experience into an emotional engagement strengthens their brand and results in more loyal and satisfied consumers. However, most companies do not measure their effectiveness in converting each opportunity into revenue, nor do they measure the overall cost of poor customer service. For example, contact centers have consistently measured a wide variety of key indicators, such as the time spent on each call, the speed-of-answer, and customer-reported satisfaction rates. Yet research shows that less than one-third of companies worldwide measure revenue per call.

Furthermore, the problem has become more complicated as customer interactions move beyond the contact center. According to numerous industry researchers, more than 90% of all transactions initiated over the Web are abandoned before any transaction is completed. And virtually no researchers have accurately measured the value of customer service across communication channels.

How can we best measure the impact of lost business opportunities from customer service each year, and identify the underlying causes?

To answer these questions, Genesys collaborated with leading industry analysts at Datamonitor/Ovum to accurately measure the cost of poor customer service globally.

Genesys engaged an independent research firm, Greenfield Online, which conducted an online poll of 8,880 consumers, with a minimum sample of 500 per country. In addition to the consumer survey, Datamonitor/Ovum used its proprietary country-level contact center models. Leveraging both data sets along with Datamonitor/Ovum's modeling expertise, we have produced the first large-scale attempt to place an economic value on the lost revenue from customer service across all channels when businesses do not measure up to the consumer's expectations.

The 28-question online survey included diverse participants, with representatives from virtually every age and income bracket.

The result of that effort is "***The Cost of Poor Customer Service: The Economic Impact of the Customer Experience and Engagement,***" an in-depth look at the issue. Those results are included in this report. Please note that this report presents the combined and comparative survey results from 16 selected economies; additional regional results, as well as other individual country reports, are available separately from Genesys.

At Genesys, we believe it is important to continually gain perspective on the changing nature of customer service, as well as consumer perceptions of it. We are extremely aware of the challenges enterprises face in today's dynamic environments as they strive to deliver on their vision of a great customer experience.

We hope this survey will be of use for customer service organizations, as well as others, to help them understand the opportunities and the challenges ahead for all involved.

Key Findings

Countries Surveyed

Genesys conducted surveys in each of the following countries:

- Australia
- Brazil
- Canada
- China
- Czech Republic
- France
- Germany
- India
- Italy
- Mexico
- Netherlands
- New Zealand
- Poland
- Russia
- U.K.
- U.S.

Overall: A USD$338.5 billion per year problem

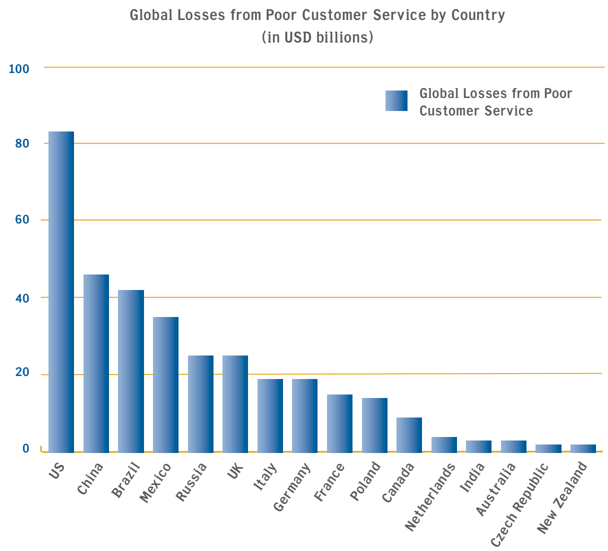
Behind the Numbers:

What is the value of excellent customer service? While satisfaction is a critical measure of customer service, ultimately companies respond to metrics that translate into hard costs. And lost revenue is a very stark reminder of those costs.

For each country surveyed, Datamonitor/Ovum calculated country-level loss figures. The combined total, while not a worldwide figure, provides an in-depth snapshot of the impact to many of the largest economies.

The cost of poor customer service is a significant problem. Enterprises in the countries shown below lose an estimated USD$338.5 billion each year due to defections and abandoned purchases as a direct result of a poor experience. Nearly 70% of consumers said they had ended a relationship due to poor customer service alone.

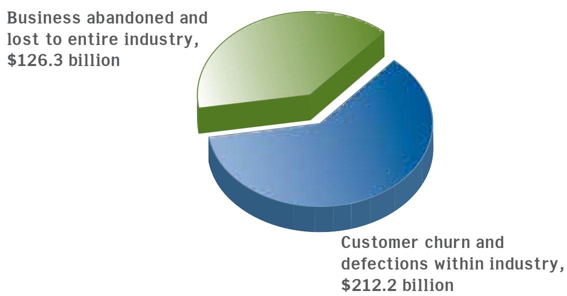
Chart 1: Global Losses



Key Findings

The survey participants said that when they end a relationship, most of the time they take their business to a competitor.

Chart 2: Business lost to competitors, versus transactions abandoned completely

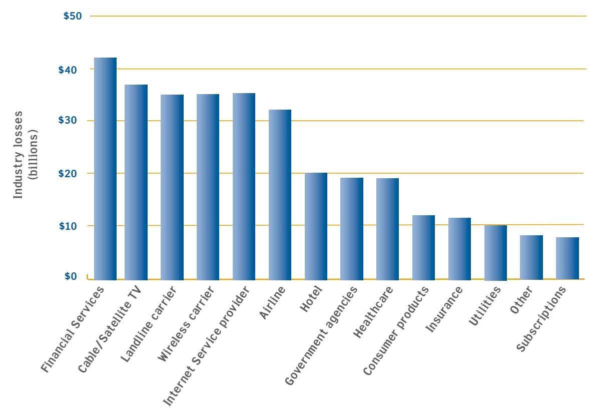


When a consumer defects it is also costly for a rival to gain that business, since a company must recoup the marketing expense of gaining a customer, depending on the industry, according to researchers at Datamonitor/Ovum. Consumers were asked specifically if, as a result of a poor customer experience, they awarded their business to a competitor or decided not to purchase at all. While consumers cannot abandon all industries — such as utilities in countries where there is not open competition — other industries indeed experience permanent losses from withheld transactions.

Which industries have the biggest risk?

Consumers are far more likely grow impatient and leave a few key industries than any other relationship.

Chart 3: Global losses by Industry



The hardest hit industries across all countries surveyed are financial services, cable and satellite TV providers, and a variety of telecommunications companies. In the past year, financial services firms saw over USD$44 billion in lost revenue. And cable and satellite TV providers suffered more than USD$37 billion of losses alone. Wireless carriers and Internet service providers each saw more than USD$36 billion in lost revenue. Landline carriers also lost more than $33 billion.

Even industries that were previously safe from competition, such as utilities in deregulated regions, are also feeling the pain, with USD$13.6 billion in lost revenue.

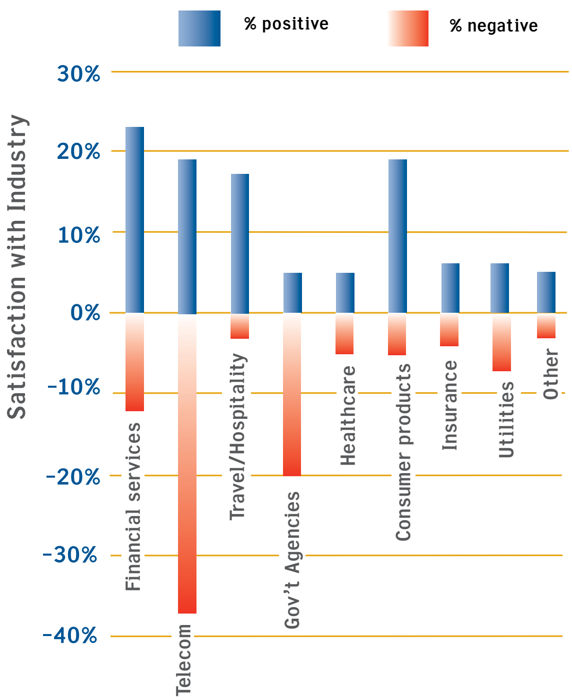
However, some industries that were hard hit, like financial services, had some good news. Financial services companies were seen more positively than negatively, while others were not as fortunate, such as telecommunications, where negative sentiment outweighed positive by a two-to-one ratio.

Key Findings

Consumers were asked to select the industries that did the best and worst job of customer service. The consumer's choice of best industry is shown in blue, and worst industry is shown in red.

The most positive ratings are for consumer products, travel/hospitality, and financial services. The most heavily negative ratings are for telecommunications and government.

Chart 4: Positive and negative ratings



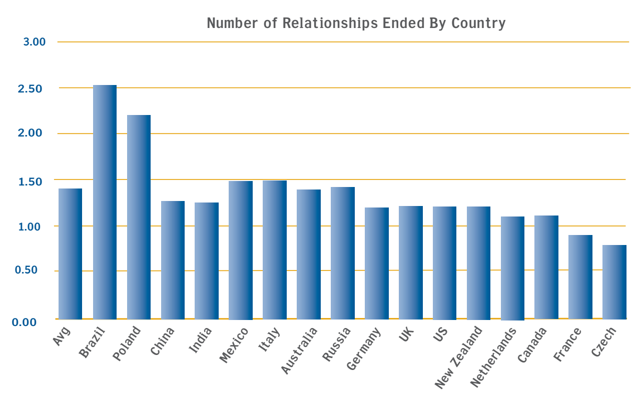
Ending a Business Relationship

Some countries have much more actively engaged consumers. Companies in these countries have far more opportunities to interact. Consumers in Poland, China, and Mexico have by far the largest number of interactions per year with customer service. However, in Australia, France, New Zealand, and the U.S. companies have far fewer interactions, and therefore the enterprise must make the most of each opportunity.

How many relationships does the average consumer abandon per year due to customer service? Some regions are far more likely to have consumers end relationships.

On average, consumers in virtually every country walk away from a relationship due to poor service. Overall, consumers end more than 1.4 relationships each year on average due to a poor customer service experience. The consumers most willing to walk away from a relationship are from Brazil, followed by Poland, China, and India.

Chart 5: Relationships ended

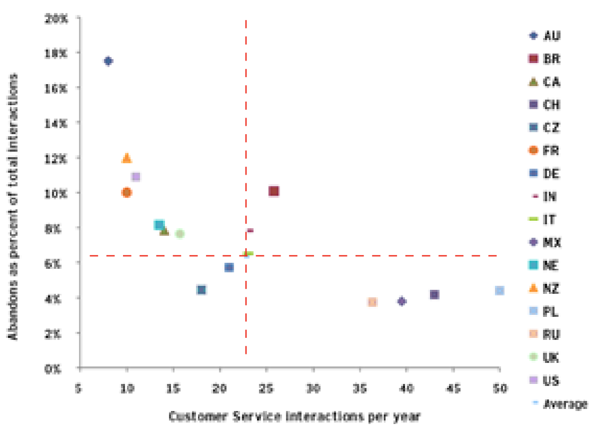


Customer expectations – and risk to abandon – vary widely by country

One of the interesting aspects of this cross-national survey is the evidence of varying service expectations and operational performance. Looking at a cross-tabulation of the number of customer service interactions per year (by country) and the percent of business transactions abandoned, expressed as a percentage of customer service interactions, shows four primary groupings of customer expectations.

The groupings fall into the following quadrants where the average across all geographies is the center point of the quadrant.

Chart 6: Countries with greatest percent of risk for abandons



The groupings indicate four models of customer service operation — and consumer response to that operation — in these dimensions.

Risk: The higher the percentage of abandons per given volume of interactions, the greater the risk within a single service interaction. In other words — service organizations have to "get it right" on the first try because there are few chances to recover from an error.

Efficiency of operation: It appears that the lower the number of interactions per year, the more efficient customer service organizations within that country are at completing business in the fewest number of steps. This reflects to some degree the maturity of customer service operational practices as well as technology support.

Chart 7: Customer Risk and Efficiency

low→RISK→high		
	High risk, high efficiency: Australia, Canada, France, Netherlands, New Zealand, UK, US	**High risk, low efficiency:** Brazil, India
	Low risk, high efficiency: Czech Republic, Germany	**Low risk, low efficiency:** China, Mexico, Poland, Russia
	high ← EFFICIENCY ← low	

Country too close to statistical average to characterize in this grid: Italy

In this quadrant, the "ideal" placement would be the lower-left corner, where organizations are efficient and consumers indicate little risk of abandoning business if a customer service transaction is unsatisfactory. On the other hand, there is substantial risk in the upper-left quadrant, where consumers in a mature market, such as Australia, will abandon a service provider nearly 19% of the time if there is an unsatisfactory transaction.

Key Findings

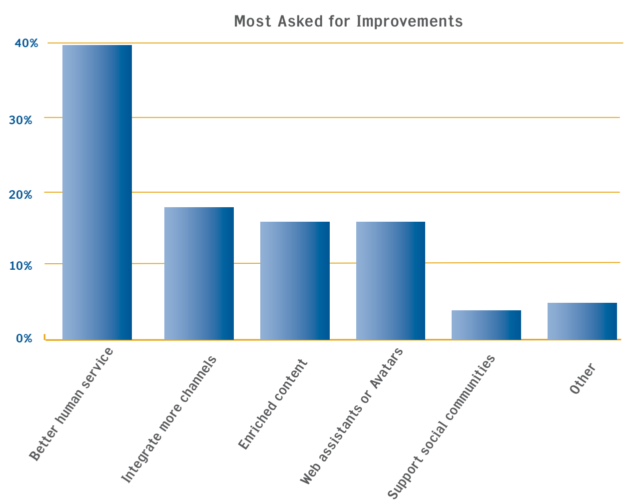
Common Threads Across Countries

Not surprisingly, there were some broad areas of agreement among consumers from many regions. Three common threads emerged among all countries.

First, consumers are demanding better integration between self-service and assisted service, including voice self-service and eServices. The most requested improvements in all countries were to be able to start in voice self-service or the Web and get live assistance from an agent, and to start in e-mail and have better integration with agent-assisted service. In other words, "Don't ask me twice."

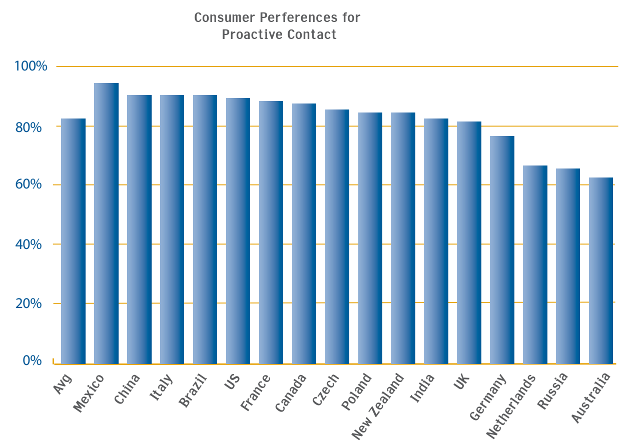
Second, consumers said that the ability to communicate across multiple channels is critical to loyalty. When asked what they would most like to see companies deploy to improve service, 40% chose human service, but more than half of consumers chose at least one new communication channel among their top choices. In other words, "Treat my interactions as a conversation."

Chart 8: Most sought improvements



Finally, overwhelmingly, an average of 86% of consumers per country said they would find proactive engagement either a "strong benefit" or would "welcome proactive assistance" when they were stuck on the Web or in self-service. In other words, "It's ok to give me a call or ask me if I need help."

Chart 9: Consumer Preferences for Proactive Contact

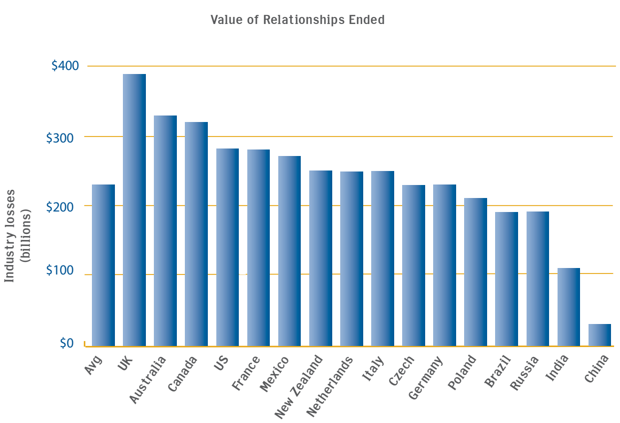


Key Findings

Regional Differences

Value of Customer Interactions:
The average value of lost relationships varied substantially from region to region, and was not directly tied to purchasing power in each country. For example, while the average value of lost relationships across all countries surveyed was USD$243 per year, by far the most valuable relationships ended are in the UK, where they average USD$396, followed closely by Australia at USD$339 and Canada at USD$330. The least valuable relationships ended are in China at USD$27.

Chart 10: Value of each relationship ended



Root Causes of Lost Relationships

Why do customers leave? Consumers are remarkably consistent in citing key reasons that they leave. Assisted service is well developed, with the overwhelming majority of consumers saying their most satisfying experience occurred because of a capable and competent customer service representative. But self-service that is not intelligently integrated with assisted service is a key area of concern. Consumers feel the most significant root causes of poor service are:

- Being trapped in automated self-service
- Being forced to wait too long for service
- Repeating themselves
- Representatives that lack the skills to answer their inquiry

Some interesting differences occur regionally. For example, in many European countries, including Germany, the Netherlands, France, the UK, and the Czech Republic, a significant portion of consumers said one of their greatest sources of frustration was being unable to reach customer service without paying a charge for the call. In Germany, 29% said so, and in the Netherlands 25% mentioned this. Nearly 10% of Chinese consumers also cited this as a source of frustration.

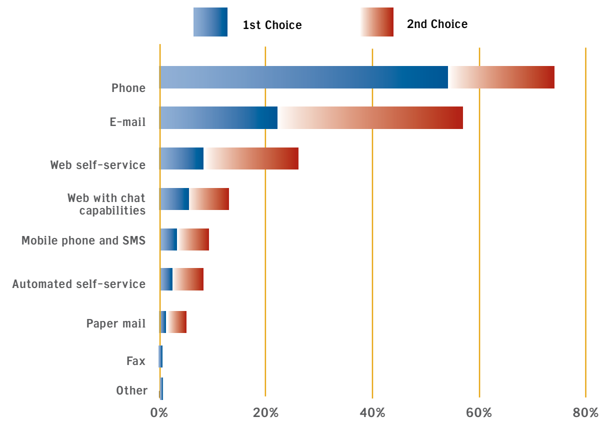
One result: in each of those countries, Web Chat and Web self-service were much more popular forms of service.

Key Findings

Favorite Communication Channels

The favorite channel of communication is still the phone, but e-mail and the Web were surprisingly strong choices.

Chart 11: Preferred Channels of Customer Service

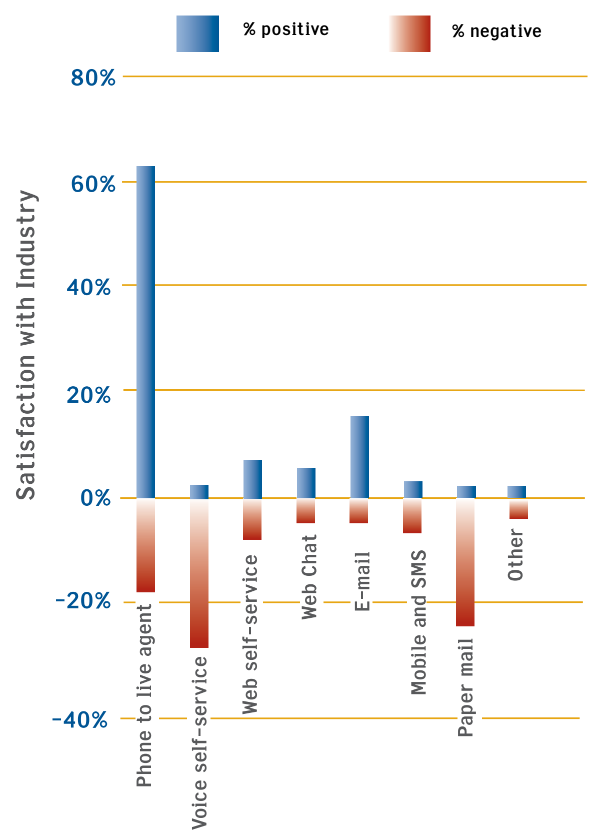


In seven of 15 countries, e-mail was the first or second choice, and it nearly overtook traditional voice as the top overall communication channel.

Where are the Biggest Gaps in Communication Channels?

Consumer satisfaction with each channel varies dramatically. The chart below shows in blue the percent of consumers in each communication channel who were satisfied with that channel. The portions in red display the percent who were dissatisfied with that channel. The channels with the greatest disparity between positive and negative experiences show trouble spots. For example, most people are happy with live agents, and e-mail, but would like improvements to voice self-service and paper mail.

Chart 12: Satisfaction with Channel



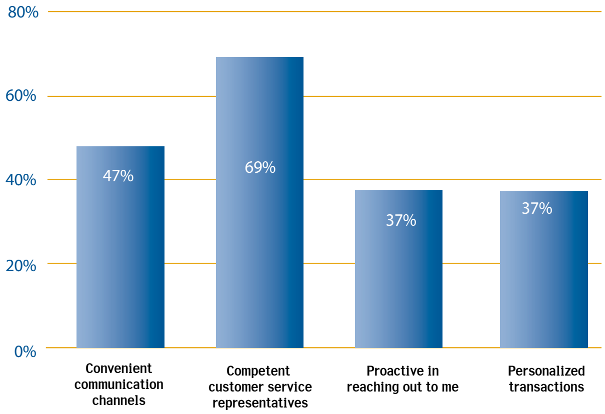
Greatest Sources of Customer Satisfaction

Consumers were also asked the factors that made the biggest difference in satisfaction. Their satisfaction is increased when four key needs are met:

- Competency
- Convenience
- Proactivity
- Personalization

Consumers felt that companies had done much more to improve in the area of competency than any of the others. When thinking of their most satisfying experience, consumers said competent service representatives played the largest role. Proactivity makes a significant difference.

Chart 13: What were the most significant factors in your most satisfying customer experiences?



Improving the Customer Experience

Consumers want consistency and continuity.

The biggest opportunities for improving the customer experience are in:

- Greater proactivity
- Improved personalization
- Better cross-channel integration

Consumers overwhelmingly said they would like more proactive outreach. More than 86% of consumers said they would find proactive engagement either a "strong benefit" or would "welcome proactive assistance" when they were stuck on the Web or in self-service.

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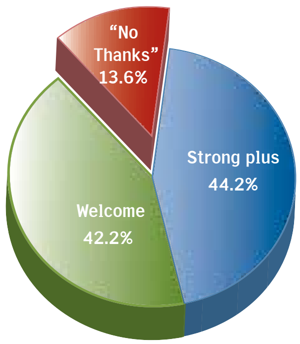
Chart 14: Consumer Views of Proactive Contact



Consumers prioritized the following as most important when asked how they want companies to improve their cross-channel conversations. They want companies to enable them to:

- Start in voice self-service and get assistance from an agent
- Start on the Web and get voice assistance or chat from an agent
- Receive an e-mail and then get assistance from a contact center
- Schedule callbacks to avoid wait times
- Add chat or instant messaging to Web interactions

Conclusion

Poor customer service has a clear and immediate impact on a company. These responses suggest the steps companies can take to make improvements. The first step should be to understand and measure the direct business impact of customer service, and identify the gaps between the customer experience and expectations.

To do so, companies need to assess their existing communication channels, and make interactions more convenient across multiple channels. It is imperative that an enterprise engage consumers on the customer's terms or risk losing them.

Consumers will welcome companies who are more proactive, such as offering to move a customer out of automated systems like the Web or voice activated self-service.

And finally, companies need to become more personalized in their overall treatment of consumers by integrating customer data, and developing processes that recognize the value and history of each customer.

his is part of a series conducted by Genesys in partnership with key industr y thought leaders, such as Datamonitor/Ovum. As other results are available, we will gladly share them. For more information, please visit: **www.genesyslab.com**

*The value of business lost due to poor customer service was calculated based on information survey respondents provided, including how many times they had ended a business relationship and the specific value of that relationship. In addition, consumer responses were compared against proprietary Datamonitor/Ovum data on the volume of customer service interactions, and transaction values. The country-level data was calculated based on population levels, per country using people aged 18 years or older as the purchasing population.

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Genesys Worldwide

Genesys, an Alcatel-Lucent company, is the world's leading provider of contact center and customer service management software — with more than 4,000 customers in 80 countries. Genesys software directs more than 100 million interactions every day, dynamically connecting customers with the right resources — self-service or assisted-service — to fulfill customer requests, optimize customer care goals, and efficiently use agent resources. Genesys helps organizations drive contact center efficiency, stop customer frustration, and accelerate business innovation.

For more information visit: www.genesyslab.com, or call +1 888 GENESYS or 1-650-466-1100.

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