The ROI of Benchmarking

The Business Case for Benchmarking Contact Centers

By Jeff Rumburg

Return on Investment (ROI) is one of the most common and important measures of financial performance in the business world. It is the ultimate measure of success for any business. Most companies, business units, and departments track ROI on an ongoing basis, and use this metric not only to make intelligent business decisions, but to justify their very existence.

Like any good business decision, benchmarking should be undertaken with the expectation that it will produce a positive ROI. Thankfully, it is relatively easy to make the business case for benchmarking, and as a veteran of more than 4,000 Contact Center benchmarks, I have plenty of data to back that claim up.

The ROI of contact center benchmarking includes both hard benefits, such as cost savings and profitability improvement, as well as soft benefits such as improved customer satisfaction.

ROI Defined

Return on investment is a simple financial ratio. It is calculated by dividing the expected return on an investment by the cost of the investment. If I purchase a share of stock for $100 and the stock is worth $110 at the end of one year, my one-year ROI is 10%. The return was $10 and my investment was $100, so my return on investment is $10 ÷ $100 = 10%.

By the same token, let's say that I pay $25,000 to benchmark my contact center. As a result of the benchmark I then implement a number of recommendations that produce cost savings of $250,000 per year. The one-year ROI on that benchmark is 1,000%, a 10X return! (Return = $250,000, Investment = $25,000, so ROI = $250,000 ÷ $25,000 = 1,000%). If you think this is an outrageous example, think again. Virtually every benchmark I have conducted in my career has yielded an ROI in excess of 1000%, and in many cases the ROI of benchmarking is much, much higher! Keep in mind that this is the one-year ROI. Generally the financial return on a benchmark continues year after year, thereby producing a positive ROI for many years after the benchmark has been completed.

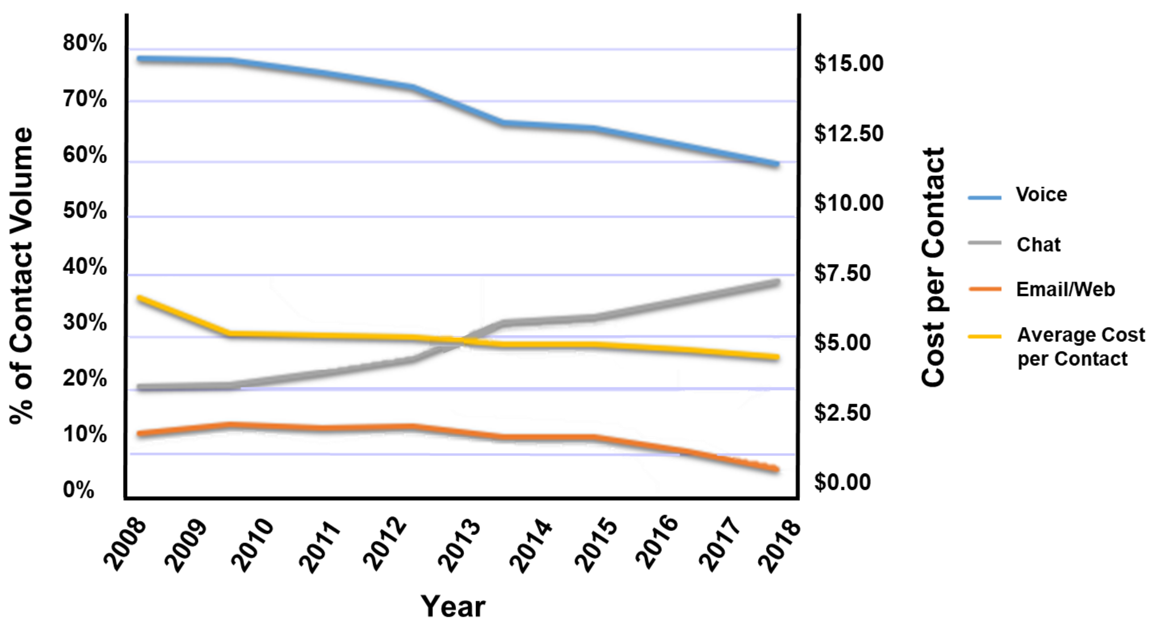
Theoretically, any investment that produces an ROI of greater than 100% is worth undertaking. But given the uncertainty of predicting future results, many organizations will not commit to a business initiative unless it has a projected ROI of 200%, 300%, or even greater. In this regard, there are very few investments in the contact center that can compete with the demonstrated ROI of benchmarking.

The Hard and Soft ROI of Benchmarking

The hard ROI of benchmarking is the projected cost savings and profitability gains that result from benchmarking. Some examples of cost savings include improving the number of contacts resolved within the IVR and through your company's website (both examples of user self-help), as well as improving agent productivity and reducing call handle times. Some examples of profitability improvements – directly attributable to the contact center – include increased product count per customer, greater customer lifetime value, and higher prices that are often achievable by offering a premium customer experience through the contact center.

Over the past decade the channel mix in the contact center has changed dramatically, reflecting greater channel choice for end users. Today, an increasing number of contact centers are achieving a more economically favorable channel mix. They are moving away from all voice to a mix of voice, chat, and customer self-service. Driving contacts into the non-voice channels reduces headcount requirements and hence the average cost per contact. The diagram below illustrates how an evolving channel mix across all industries has reduced the average cost for inbound customer service from more than $6 to just $4 per contact.

Cost per Contact in Various Channels



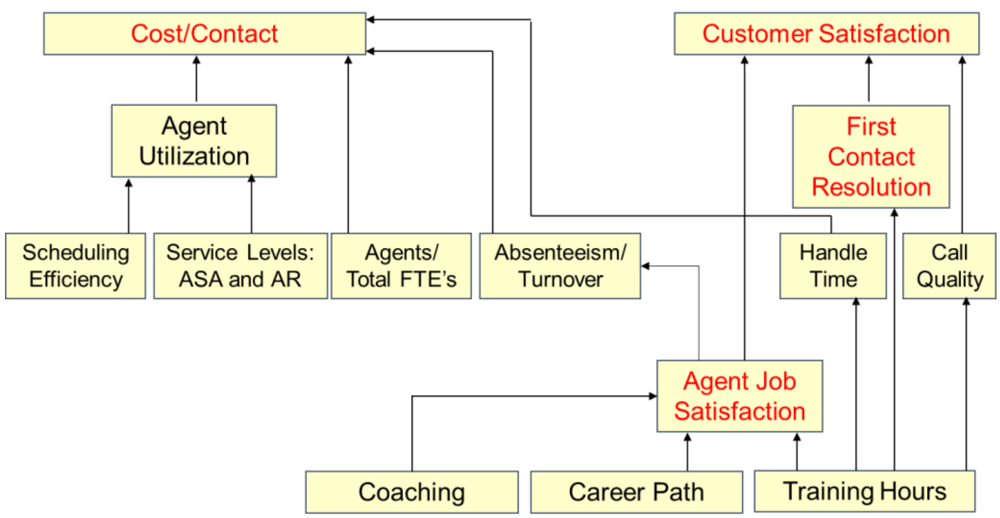
Virtually every contact center benchmark uncovers opportunities to improve channel mix. But these are not the only drivers of hard dollar savings in benchmarking. Anything that reduces the total workload in a contact center will reduce the labor cost per contact and result in hard dollar savings. For example, customer self-help costs just $1 per contact, on average. So any incentives you can offer your customers to use self-help will reduce total contact center costs accordingly.

When it comes to self-help options, many organizations are now moving beyond knowledge centered web portals and into Artificial Intelligence (AI) enabled chat bots, Alexa skills, and social media messenger assistants. This has profound implications for the contact center because the customer experience in these AI enabled devices is becoming indistinguishable from the live agent experience. As an example, Geico has developed a branded Amazon Echo skill that handles basic customer service inquiries such as checking your balance, making a payment, getting ID cards and even requesting roadside assistance.

What about the soft ROI of benchmarking? There's no denying that as a contact center professional you would rather receive high customer satisfaction scores from your customers than low scores. Running a contact center with a 95% customer satisfaction score results in accolades, positive recognition, and frankly career opportunities that you would never have with a customer satisfaction score of 70% or 75%. As a contact center professional, your work life is a lot more fulfilling when you have high customer satisfaction scores. But how does benchmarking improve customer satisfaction?

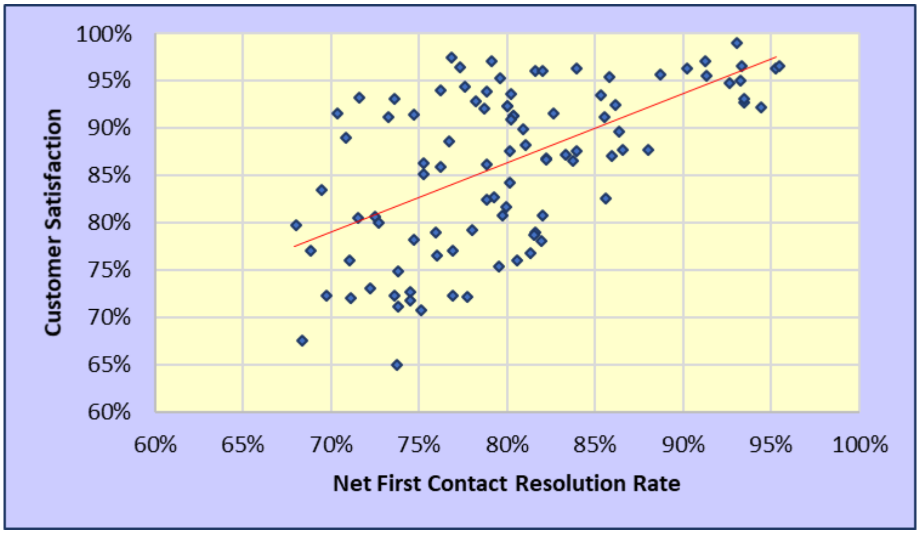
The KPI cause-and-effect diagram below shows how customer satisfaction is interconnected with and impacted by other KPIs. As you can see, two of the most important drivers of customer satisfaction are first contact resolution rate and agent job satisfaction.

KPI Cause-and-Effect Diagram



A good benchmark will include all of the KPIs shown above, and will specifically include a comparison of your customer satisfaction scores to those of an external peer group. When customer satisfaction is low, inevitably first contact resolution rate and/or agent job satisfaction are also low. The regression charts below show how FCR and agent job satisfaction drive customer satisfaction. These are not mere correlations – they are cause-and-effect relationships!

FCR vs. Customer Satisfaction



Agent Job Satisfaction vs. Customer Satisfaction

The Hard ROI of Customer Satisfaction

The majority of today's consumers demonstrate loyalty to one or more brands in different industries, including banking, insurance, and health care. Moreover, customer loyalty is driven by the overall customer experience. Every customer contact represents an opportunity to create customer loyalty, increase product count, maximize customer lifetime value, and propagate positive word-of-mouth referrals! World-Class Contact Centers typically benchmark their performance annually and:

- Offer superior customer service that drives customer loyalty and repeat business
- Offer sales at the point of service (SPOS), and train agents to upsell and cross sell, which increases product count per customer and customer lifetime value
- Differentiate their products and services by virtue of the quality of service delivered through the contact center.

A study conducted by MetricNet and summarized in the figures below concluded that a positive customer experience in the contact center was strongly correlated with higher enterprise profitability in a number of industries. Contact centers that performed in the top quartile of their industries generated profits far in excess of the industry average!

Contact Center Customer Satisfaction Scores by Industry

Industry	Average CSAT	Top Performer CSAT	Δ
Airlines	78%	94%	16%
Wireless Telco	76%	93%	17%
Cable and Internet	76%	93%	17%
Credit Card	79%	97%	18%
Retail Banking	80%	97%	17%

The Financial Benefit for the Top Performing Contact Centers

Company	Financial Benefit vs. Industry Average
Southwest Airlines	$2.6 billion greater profitability in 2017
Verizon Wireless	$13 billion greater profitability in 2017
Rogers Canada	$3.1 billion greater profitability in 2017
American Express	$1.9 billion greater profitability in 2017
PNC Bank	$36.3 billion increase in market value over 5 years

Conclusions

Empirical data demonstrates that benchmarking is by far the most effective tool for delivering continuous improvement in the Contact Center. In fact, industry data shows that there is a virtual 1:1 correspondence between contact centers that conduct annual benchmarking, and those that achieve world-class performance. Moreover, the economic benefits of benchmarking far outweigh the costs. Cost saving benefits include improved channel mix, reduced handle times, contact reduction through increased user self-help, and improved agent productivity. The revenue producing benefits of benchmarking can be enormous, and include greater customer lifetime value, and increased product count per customer.

Most enterprises treat customer care as a mere cost center - a necessary cost of doing business. But an increasing number of progressive companies have turned that paradigm upside down, and now manage customer care as a value center. Those who operate under the value-centric model of customer care actually create and sustain measurable economic value for the enterprise!

Post benchmarking analyses of organizations that have undertaken benchmarking show that virtually all benchmarks produce an ROI of greater than 1,000%. This is a 10X return, making benchmarking one of the most attractive investments a contact center can make.

About the Author

Jeff Rumburg is the Managing Partner and co-founder of MetricNet, LLC. MetricNet is the leading source of benchmarks and metrics for Contact Center professionals worldwide. For more information, please go to www.metricnet.com.

MetricNet®
Performance Benchmarking