Waking up the call centre

Julian Birkinshaw captures the fascinating tale of how entrepreneur PV Kannan took “the boring concept of customer service” and changed the concept of the call centre.
It's a classic example of what entrepreneurs routinely do. Take traditions and shake them up. Convert the routine into something special. Redefine a simple business term and thereby revolutionise an entire industry. PV Kannan knows how to do these things.

In the late 1980s PV Kannan joined Tata Consulting in his native India. His timing was perfect. “Offshoring hadn’t really been invented at that time,” he recalls. “Our work was basically maintenance work. Then it exploded. Between 1988 and 1990 the company grew from 500 to 3,000 people. People were asking us for new applications. When I left, there were over 4,000 people.”

In 1991 Kannan, a chartered accountant, set himself up as an independent programmer and consulted for Oracle and others. He relocated to the United States and observed the rise of the new economy at first hand. “In the mid-1990s I was struck by the rate of innovation on the web. Sitting in a loft in Princeton, New Jersey, I felt that I had to do something, otherwise my grandchildren would be disappointed in me. The trouble was I couldn’t find anything new. We had to think five years down the line.

“That was when I began looking at the boring concept of customer service. We figured that if commerce shifted to the Internet, the nature of customer service would have to change. We developed lots of systems around customer service and came up with a platform, with the Internet as the starting place for customers. And the opportunity here is huge: even today, we still don’t understand how people really interact with the Internet.”

In 1997 Symantec signed up as Kannan’s first customer for technical support. In 1999 Kannan sold the company, Business Evolution, to a competitor, Kana Software, who had shrewdly gone public – “The name is similar so people tend to think I invented it,” Kannan laughs.

24/7 Customer is born
Kannan’s entrepreneurial zeal was undiminished. In April 2000, convinced that offshoring was a viable model, he started 24/7 Customer. In the previous 10 years he had visited around 100 call centres in the United States. “All complained about manpower shortages and the lack of good written skills. All the staff were high school drop-outs. I spotted an opportunity. Our idea was basically email chat from India.”

The company’s first client was Alta Vista, and within a few months the new company had 75 people. The economics were straightforward: Alta Vista paid $70,000 to $80,000 for a call centre agent (plus the associated overheads) based in Palo Alto answering mundane queries and a fraction of that using a call centre agent in India.

The dot-com bust provided a turning point. “A lot of corporate America thought that the Internet was history – and, in truth, there is still a degree of fear of the security and privacy risks among financial institutions,” Kannan observes. “After 2000 a lot of people put their web strategy on hold, so we got into voice-based support with AT&T and Citibank.”

24/7 Customer’s value proposition was more broad than offshoring or ecommerce. Being low cost was clearly important; a seat in a call centre costs £4,000 – anywhere in the world – and companies with millions of customers tend to have thousands of workstations. But Kannan viewed service in its totality and wanted to provide a complete solution built from a different starting point than the standard one. He explains: “We were low cost, offshore, and taking over workforce problems. We solved a problem for companies. But we wanted to go further and help them tackle their customer service issues. Let’s face it, no one likes calling a call centre, and no one likes it when people call to sell you things. Those are pain points, so we thought how we could make it better for consumers and companies. What could we do to put consumers in control? We looked at why people didn’t like call centres – they are time-consuming, they lack a personal touch, and problems are often not solved.”

24/7 Customer set out to add value at every touch point in a customer’s lifecycle.

Inside the customer experience
Kannan’s examination of the marketplace provided some revealing insights. First, 24/7 Customer began to understand the new dynamics of customer service. Says Kannan: “Most companies seem to think that consumers have nothing better to do than send emails or make calls. Companies put a lot of resources into software that delays consumers. Telemarketing scripts are all about keeping conversation going rather than really talking to consumers.”

24/7 Customer’s experience was that call volumes tend to peak over a period of four hours in the middle of the working day – with Mondays bringing the peak. The time when companies get calls is fairly predictable, and capacity is usually one third of what is needed. To overcome this, 24/7...
Customer uses technology to supply customers with waiting times on the Internet or can SMS the customer when waiting times drop below, say, one minute.

The opportunity for improvement here is enormous. Waiting times of half an hour remain commonplace. Says Kannan: “It is all about the customer experience. Disney knows that 80 per cent of people turn right in a certain situation, so Disney routes entry into the park by moving people to the right-hand entrance and smoothing out the entry traffic. Our behaviour is predictable. At Disney they try to make the wait for rides enjoyable with music and sports scores. We can do the same thing with customer call centres.”

As part of understanding consumer behaviour, Kannan encourages companies to look anew at their interactions with consumers. For example, he points to the lack of interest in or knowledge of leakage - people who visit websites and can’t or don’t buy. It is one thing knowing how many people complete an online mortgage application, quite another to be able to know how many started the process and then gave up.

Kannan argues that there is a reverse pyramid in the way people buy online. Reading information online is at the top, funnelling down to filling out forms, asking for more details and then completion. Companies tend to focus at the bottom. The opportunity is actually much bigger when consumers start the process.

24/7 innovation

Clearly, 24/7 Customer’s willingness to better understand consumers is commercially successful. Based in Los Gatos, California, 24/7 now has 7,000 people in India as well as 200 in Manila. A presence in Guatemala offers bilingual support in Spanish, and there are also operations in Ireland and China. Its sales exceed $100 million. In tandem it has applied what it has learned from the marketplace and created some management innovations of its own.

Utilising instant piloting

One of the beauties of technology is that ideas can be tested virtually instantly. 24/7 Customer constantly encourages its employees and its customers to try things. For example, it was working with a satellite TV company and suggested that it put a button on its website for people to push if they had a technical problem. The TV company wasn’t keen as it thought that if people have a problem with their TV, why would they be online? This didn’t match with consumer behaviour; people tend to have the TV and computer in the same room and are likely to be on the Internet seeking a solution if their TV isn’t working. The TV company was persuaded to try. A button for technical support was put on the website. A total of 140 people made contact in the first hour.

Internally, 24/7 Customer seeks to encourage this sort of speedy innovation through its own Innovation Labs, which have 10 people and 30 programmers. More importantly, thinkers from client companies are invited to join in developing new ideas through prototypes and rapid experimentation.

Tapping into your internal expertise

Call centres are now a commodity business. The question for companies like 24/7 Customer is how to differentiate themselves from the competition. The answer for 24/7 came from within.

In the West call centre operatives, as Kannan often notes, are usually of poor calibre. In India, in contrast, call centre operatives are often well educated. 24/7 identified this as an opportunity. The input and ideas of operatives are formally documented and there are processes to ensure they are acted on.

As they talk to customers, operatives have incentives to note down ideas about potential product innovations and developments. These are then discussed at monthly client meetings. The best ideas are then tried out on samples of customers. One hundred calls may, for example, be treated in a different way. This is then evaluated and expanded or discontinued. This system adds a large amount of value for 24/7 customers. Instead of a call centre being a commodity, it is seen as a dynamic means of tapping into customer feedback.

Organising around customers

“In companies no one owns the customer. Companies don’t yet organise around consumers. They organise around their convenience,” laments Kannan. He points out that banks still divide customers into retail, web, credit card, mortgage, and the like, even though they may be one and the same customer.

For 24/7 Customer the first hurdle is often the IT department, “the most hated function in any company from a business perspective”. IT woes, however, are symptomatic of wider problems.

[Kannan]… wanted to provide a complete solution built from a different starting point from the standard one.
Companies tend to separate ecommerce from call centres from customer relationship management. “Organisational design destroys value. There is no synergy,” concludes Kannan.

This is notably not the case at some younger companies. Kannan points to Overstock, the retailer which offers leading clothing brand names at massive discounts from its website, and Skype which now accounts for seven per cent of international call traffic. Synergy of organisational design is also evident at the specialty home furnishings retailer, Williams-Sonoma. This is a $3.5 billion company that uses highly sophisticated analysis to track customer interactions. Each of its catalogues has a code that makes it easy to track sales on the Internet back to the catalogue. When customers complete an online purchase, they are given a voucher to use at the company’s stores. When they subsequently go to the store, they receive $5 off an online purchase. “They know who buys what and where,” says an admiring Kannan.

24/7’s approach takes the much talked about management notion of synergy and seeks to turn it into reality. This is not simply about synergy between different departments, but about different disciplines working seamlessly in tandem through technology. “Real leverage exists in combining elements within companies. Customer interfaces like direct marketing and telemarketing are converging, and this is a great opportunity,” says Kannan.

24/7 Customer is organised around its customers. In the same way that advertising agencies have a single executive running a particular account, 24/7 designates an individual to head the relationship with each of its clients. Its employees work in client teams and have business cards with the name of the customer they serve on them. Says Kannan: “We are a virtually extended team. We want the client on our team so any feedback goes to the people in the team who can make it happen rather than to a manager who has no link to the team.”

**Maximising learning from other sectors**

24/7 has sought to transplant the best in manufacturing systems expertise to the service sector. Its notion of the “science behind outperformance” seeks to bring the predictability of the manufacturing line to service experiences. To make this happen it has developed a number of manufacturing-like systems which include relationship maps, process documentation, a process management system, statistical control charts and visual dashboards. The end result, predictably, will be consistently excellent service. And this has to be at least one of several key reasons why a recent survey of “50 Best Managed Global Outsourcing Vendors” placed 24/7 Customer in the top half of their 2006 listing. According to Douglas Brown and Scott Wilson, co-authors of The Black Book of Outsourcing: How to Manage the Changes, Challenges and Opportunities, “Continual improvements earned 24/7 a distinction of being the best performing global call centre.”

**Resources**

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