

Win in the flat world

When Opportunity Knocks: The Inbound Route to Revenue Growth

– Ash Joshi & Amandeep Singh Syali

Abstract

The key result area for inbound channels is customer satisfaction through the resolution of customer issues. However, there is more value in the inbound route than many organizations realize.

As marketers pour increasing amounts of money down the outbound channel with diminishing returns, there is growing awareness about the benefits of tapping the potential of the inbound channel for marketing.

By taking a 'profit center' view of the service or inbound channels, companies can boost revenues from their base of loyal customers at a far lower cost. This Infosys paper shows how, with the right technology and approach, the inbound channel can help first increase customer satisfaction and then realize more value for the business.



An Inbound Insight

Siddharth 'Sid' Singh, the marketing head of Global Reach Bank, slammed his notebook shut and stared out the window of his office in downtown Manhattan. If only he could increase the return on his marketing dollars, he thought.

Global Reach, a large bank with more than 300 branches in 4 continents and 20 countries, was a relatively new but fast growing financial services powerhouse with a large retail product portfolio. With more than a million customers, many of them high net worth individuals, the bank had been successful with a high retention and loyalty rate. The secret was its inbound support call center that was staffed with bright young talented people responsive to customer needs. Existing customer satisfaction levels were in the high nineties, according to a recent bank poll.

The story of the bank's success in outbound marketing was, however, not very encouraging. With a multi-million dollar budget driving its new customer acquisition program, the returns were far from satisfying. And Sid needed to come up with some good answers – and solutions – for the forthcoming board meeting.

He remembered his discussion with Jane Goodheart, the head of inbound services, some weeks ago at a party for bank staff. "Some people get everything right," he mused. He recalled her mentioning that there was need to collaborate between marketing and service/support to better understand customer needs – a win-win for the bank as well as the customers.

Walking to the coffee machine – he grimaced – it struck him that the win-win could extend beyond merely understanding customer needs. With a customer virtually walking in, you could help him with his problem and then sell him products in line with his needs!

Racing back to his room, Sid flipped open his computer again. Making a list of opportunities, he thought about the challenges that might crop up – re-orienting inbound staff to *also* think like salespeople, strengthening the service attitude, the right technology to act as the enabler...the list was growing.

Sid, however, was not daunted. The solution was clearly in sight – make the inbound service even better and then leverage it to cross-sell/up-sell or even generate leads. All that he needed to do now was to come up with a strategy with inputs from his colleagues in customer service and IT to work out the road map.

The pitfalls of outbound marketing

Marketing comprises a range of activities that help organizations consistently respond to the needs of their customers and get appropriate value in return. It can be broadly divided into

“outbound” and “inbound” marketing. With the cost of acquiring a new customer almost five times that of retaining an existing one, organizations are becoming increasingly aware of the need to look at inbound marketing as a revenue stream.

Outbound marketing includes all marketing outreach programs including outdoor campaigns, in-store promotions, telesales initiatives, and ‘below-the-line’ programs like direct mail. Corporate organizations around the world spend billions of dollars every year on marketing with the outbound channel eating up the biggest chunk of these budgets. Even so most marketing departments are at a loss to measure the impact of their marketing spend and tie it back to real incremental revenue generated for the company.

Some of the inherent drawbacks of outbound channel include:

- A ‘push’ strategy that thrusts products or services onto potential customers who may not want them to begin with. Often times the offer is generic and indifferent to customers’ needs at that point in time.
- Inappropriate contact times – Marketing is driven by a company’s needs to generate more revenue through new products or services and companies therefore dictate the timing of the campaigns as well as the various channels for contacting prospects.
- Perception of ‘hard-sell’ – Often outbound marketing calls are outsourced to other organizations that are measured on the closure of new business, which results in the adoption of ‘hard-sell’ tactics by the latter. This reinforces the perception that most outbound calls consist of ‘hard-sell’, further reducing the probability of closing a sale on an outbound call (phone or in-person).
- Traditional focus on attracting new customers, at the expense of ignoring the hidden potential within the existing customer base.

How inbound marketing brings value

It is a different story, however, when a customer approaches an organization. It represents an opportunity to first and foremost increase the value of the organization to the customer and potentially increase the value of the customer to the organization as well. This fact points to the immense potential of inbound channels.

Inbound channels (such as service desks, websites and even in-store counters) serve the customers’ needs of help and support, enhancing levels of customer satisfaction. However, inbound marketing will only be as successful as the effort to address the basic needs of each customer. Customers will be willing to express their needs and requirements only after achieving the primary objective of complaint resolution or service request. So it is imperative that the call center executive, store manager or web-service manager is sensitive to the immediate need of the customer.

A customer's call presents an opportunity that no outbound channel can offer. After successfully addressing the needs of the customer, the service person can morph into a salesperson. In the event of the problem or issue having been successfully resolved, the customer will be positively inclined to any *relevant* offers that address his needs. In this, inbound marketing has some definitive advantages over outbound marketing:

- Inappropriate contact time is not a concern since it is the customer who has initiated the call/communication
- It addresses customers who have already invested in products/services and are likely to be interested in related offers
- If orchestrated properly, inbound marketing has the potential to reduce the perception of 'hard-sell'
- The focus is on retaining old customers instead of acquiring new ones, which helps keep costs low

A recent Forrester report says that more than 85% of consumer-oriented firms plan to target marketing messages in one or more inbound interaction channels. However, most organizations are not equipped to turn inbound channels into incremental revenue generating vehicles. This is due to factors such as a limiting perception of inbound as service-focused, absence of a clear vision and approach, lack of the right technology and systems, and the need for organizational change management. To capitalize on the potential of inbound marketing, there is a clear need to redefine inbound channels.

Redefining Inbound Channels

The primary goal of inbound channels is to provide exceptional customer service leading to improved satisfaction levels. Additionally, the customer's voice can provide useful feedback on a product, campaign or service, offering an opportunity for improvement.

However, most organizations operate their outbound and inbound channels in silos of marketing and service, often without any information sharing between the two. This leads to opportunities lost for better service *and* intelligent cross-selling or up-selling to existing customers. The 'cost-center' approach to service desks is possibly resulting in billions of dollars of lost opportunities for companies across the world.

Taking a view of inbound channels as potential profit centers (Fig. 1) can help uncover opportunities for incremental revenues. A strategic approach with the right technology solutions and methodology can help organizations redefine their inbound channels. Such an approach must be coupled with a change in management attitude from mere service orientation to a consultative approach.

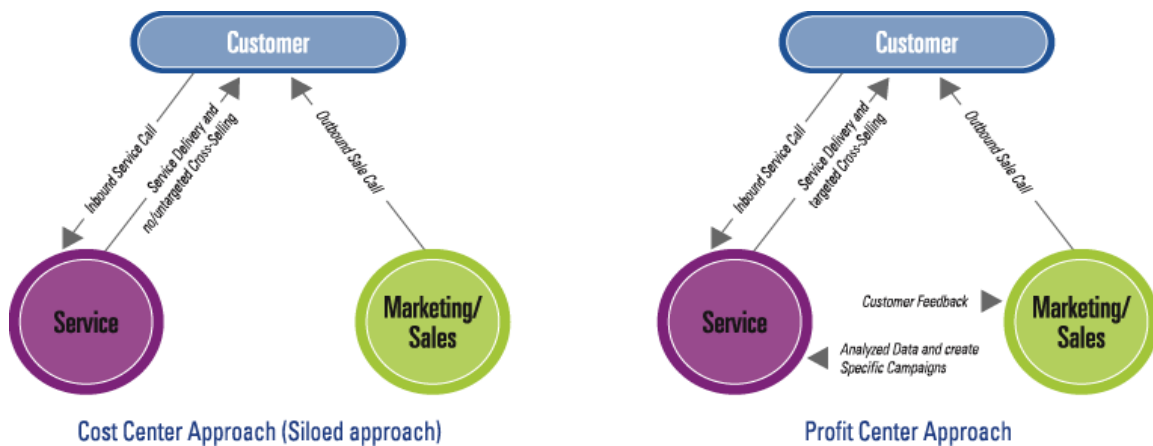


Fig. 1: Taking the profit-center approach to inbound channels

The logical outcome of such an approach would be enhanced value realization in the form of incremental revenue from improved response rates and successful cross/up-sell offers.

View of the end state

The end-state for successful inbound marketing will mean a win-win for both the customer and the organization. It will lead to enhanced customer satisfaction, improved customer perception of value derived from the organization and incremental revenue for the firm.

Infosys Vision

Organizations can strengthen their relationship with the customer and maximize value from customer initiated interactions through intelligent, personalized consultation and offers.

Making Inbound Marketing Work

Marketers can make inbound cash registers ring if they have:

- Vision
- A robust strategy and roadmap
- Appropriate technology and solutions
- Executive support for change

A holistic approach to making inbound marketing enhance customer satisfaction and add value would address issues such as customer acquisition versus retention, role of service centers, organizational change management, incentives and metrics, and technology.

Challenges

Transforming inbound channels into revenue engines involves several challenges that need to be factored in.

Resource Management – Effective resource management and high level resource commitment with a strong dedicated team can help make effective business decisions.

Technology – The right technology can assist marketing managers in developing an efficient strategy aimed at turning every inbound interaction into a business opportunity.

Technology must support multi-channel architecture to ensure that each customer on every inbound channel is served. Razor-sharp business analytics capabilities are needed to make appropriate and personalized offers to customers in near real-time. Further, a complete view of the customer across different interaction channels and good quality of underlying data is crucial.

Most organizations have silo-ed customer data with no single customer master data that can serve as the system of record to provide a unified view of the customer across the organization. Firms risk making incorrect or irrelevant cross-sell/up-sell offers for want of such a unified view. Without the right data hygiene and data management processes in place, inbound marketing efforts will be sub-optimal at best.

Customer Acquisition v/s Retention – Many organizations restrict their marketing efforts to outbound channels with a focus on acquiring new customers:

- They do not realize that it is far more economical to increase revenue from loyal customers vis-à-vis new acquisitions.
- Marketing organizations are inclined to make better offers to new customers/prospects rather than address long-term customers. This creates concerns among existing customers about the overall value derived from the relationship with the organization including service, support, product quality, and experience of dealing with the organization.
- This apparent perception of a lack of interest in existing customers can result in customer attrition.

To overcome this perception, organizations need to adopt a balanced approach by putting sufficient emphasis on interacting with and serving existing customers while trying to attract new ones.

Role of Service Centers – Service centers can play a vital role in making inbound marketing a success. To enable this, organizations need to:

- Change their view of inbound channels as cost centers and look at them as profit centers
- Start looking at service centers as drivers of value from an existing customer base
- Build a collaborative model between the service and marketing divisions with each group helping the other. Marketing will analyze customer data and create specific campaigns for service centers while the service division will collect customer feedback through inbound as well as outbound channels. Based on this feedback the success of campaigns can be evaluated to help the marketing division develop better offers

Organizational Change Management (OCM) – The fundamental shift from a purely outbound marketing model to a mix of inbound and outbound channels will have an impact on all levels in the organization. The organization should carefully consider if it can handle such a culture shift and re-train people at all levels within the customer facing organization (sales/service/marketing) to internalize this change.

For example, there will be a major change in the job profile of customer service representatives (CSR) requiring them to:

- Play the additional role of a sales representative
- Spend more time interacting with customers instead of minimizing call time
- Convert customer interaction into cross-sell/up-sell opportunities

In addition to appropriate training at all levels of the customer facing group, proper incentive systems are critical for inbound marketing to succeed.

CSR incentives and metrics – The performance of CSRs traditionally has been evaluated on the basis of number of interactions with customers rather than the number of issues resolved successfully. For inbound marketing, CSR incentives need to be based upon the revenue they generate from each call after they have resolved the customer issue at hand. This will need to be weighed against the fact that inbound CSRs with their changed job profile need to invest more time with the customers.

Real time business analytics – Real time business analytics technology (available as products or custom-built) can help analyze buyer behavior to predict customer willingness to consider a product/service. It can provide valuable insights into:

- Target markets
- Customer needs
- Perceived value of a product/service
- Competition strengths and weaknesses

The best way to know what customers want is by taking feedback from them in various ways such as comment cards, telephonic surveys, email surveys, feedback from CSRs who interact with customers most, directly talking to customers when they visit your facility, etc. This data can be captured for analytics processing.

Maintaining Database – The success of any inbound initiative will be directly dependent on the quality and freshness of underlying data. Master data management is essential to keep data on:

- Customers
- Products or services customers enquire about the most
- Promotional offers made to customers
- Number of business opportunities from inbound calls
- Number of issues resolved and the time taken for interaction with customers
- Feedback from existing customers

Leadership –Strong leadership commitment and alignment with overall company vision is important. Middle-management needs to buy into the idea and be willing to address the challenges arising from such an initiative. It requires strong leaders to lead their respective organizations through dramatic changes in their organizational culture and structure, metrics, processes and tools.

Risk mitigation

Along with the challenges, there are some typical risks associated with inbound marketing. Organizations need to have their risk mitigation plans in place before embarking on the inbound journey:

Leadership commitment: The time and activities required of the sponsors need to be clearly identified. The initiative will need an executive with the authority, commitment and bandwidth to support the initiative. Creating leadership action and communication plans for this individual to better manage their time and maximize the impact is the key. This will address the risk of the initiative falling by the wayside for want of leadership commitment.

Cost/Benefits: Businesses will need to weigh the costs of investing in the underlying technology infrastructure against the incremental benefit derived. Higher ROIs have been reported when some of the building blocks such as data management and hygiene were already in place.

To reduce the risk of costs overtaking any benefits, companies can carry out a pilot in a smaller division or a micro-segment of customers. This cost/benefit analysis can point the way forward. Further, companies can leverage tools such as the Infosys Value Realization Methodology (VRM) to measure the benefits.

The financial benefits of an inbound program can be measured by creating control groups for inbound interactions – one group of CSRs provides only service while another promotes other offers in addition to support.

The incremental revenue versus incremental time spent calculated for both groups will provide a guiding metric in terms of incremental revenue/incremental minutes spent interacting the with the customer. This can be utilized to monitor the health of the inbound marketing program.

The challenge in measuring the conversion rate on an inbound cross-sell/up-sell is that a customer might not immediately accept the offer but could come back later to ask for it. Associating a specific sale with the appropriate inbound call/offer is a challenge that needs to be addressed.

Infosys Solution:

Infosys believes that a successful Inbound Marketing program consists of 4 'planks' - quality customer data, real-time technology, revamped servicing/marketing processes and retraining of customer service personnel (Fig. 2).



Fig. 2: While it is possible to achieve inbound marketing by modifying only one of these 'planks', Infosys believes that making appropriate changes to each of these will result in the highest success for an inbound marketing program

Quality Data: An inbound marketing campaign relies on access to high quality customer data that is consistent across channels across the Enterprise

- Data quality and integrity are essential to support the inbound marketing program. Without data quality, marketing offers on inbound calls will be sub-optimal and will result in a lack of agents' trust in customer data.
- To ensure trust in customer data, there should be a '**single source of truth**' which will be the enterprise version of customer data.
- All businesses, channels and front-end/back-end applications should be accountable for maintaining data quality according to predefined quality guidelines - from point of capture through the entire lifecycle of customer data.
- Cross-selling, up-selling and product bundling can only occur if all facts of the customer are known across the enterprise. Further, the service function should have access to the same data regardless of product line or channel
- Organizations should ensure that they have
 - A formal methodology for data quality monitoring and management
 - Develop and enforce data usage standards (security, privacy)
 - A well defined data clean-up, cleansing and enrichment strategy
 - Well defined/understood rules for customer data usage regulations
 - Tools for data profiling, cleansing and ETL

Appropriate Technology: Technology to leverage customer data and provide the appropriate offers to customers in real-time:

- Once quality of customer data is assured, the next step is to ensure that this data is readily available and tightly integrated with all the channels of customer interactions. Companies should focus on building a robust integration framework for present and future data flows across the enterprise and across newer channels as they are activated.
- Quality customer data, especially past interactions, is the building block on which companies should run predictive models to identify the appropriate campaigns for a given customer based on his/her past interactions and in line with interactions with other customers by using modeling tools from SAS, SPSS, etc.
- In addition to batch processing (predictive modeling, propensity to buy, market basket analysis, etc.) companies should also invest in technologies that will learn and adapt to customer responses in real time (learning algorithms and real time interactions) to provide appropriate and personalized offers.
- Often the technology required is not available from a single vendor and multiple vendors or customer solutions will be needed to fulfill the promise of inbound marketing. Existing package solutions include offerings from Unica, SAS, SPSS and Epiphany.
- Companies should weigh the costs of putting the underlying infrastructure in place versus the incremental benefit derived from such interactions. Organizations that already have some of the building blocks in place (data management/hygiene) will have a better ROI on the technology part of an inbound marketing initiative.

Revamped Processes: Changing current processes for customer service is critical to the success of the inbound marketing program

- Traditionally, the service function within an organization has processes geared towards accepting input from the customer and resolving their issues through one or more interactions
- New processes should be introduced wherein CSRs will be required to solicit feedback from customers for a variety of items including product/service functionality, marketing offers.
- CSRs will also be required to ensure that the feedback gets routed to the roles concerned within the organization
- New processes should empower CSRs to immediately act on certain feedback for predetermined conditions such that it enriches customer experience and allows the CSR to further explore cross-sell/up-sell opportunities. Failing to provide such autonomy to CSRs will result in their inability to explore opportunities.

People/Organizational Change Management: Moving to a mix of inbound and outbound marketing model requires a cultural shift within the entire customer facing organization and appropriate change management will reduce the impact of such a shift:

- Moving away from a pure outbound marketing model to a mix of inbound and outbound is a big cultural shift for an organization.
- Organizations should re-evaluate job descriptions and retrain people at all levels within the customer facing organization (sales/service/marketing) to reduce the impact of such a change.
- Managers as well as team members must believe that getting to know customer needs and suggesting products is a hallmark of providing good service.
- Customer Service Reps' (CSRs) jobs will change significantly as they become more of sales reps than pure service representatives.
 - CSRs now have to learn to walk the fine line between solving the inbound customer's problem and trying to sell them new products/services.
 - Several CSRs may be unable to adapt to the new requirements, and organizations should expect higher attrition rates following the initial roll-out
 - Organization will also have to incur a one-time expense of retraining/re-hiring the appropriate resources that can best fill this new role.
 - The additional cost incurred through training, high average call handling time etc are far lower than the incremental sales revenue generated
- Just retraining/re-hiring however is not enough to ensure the success of the program. Incentive/evaluation mechanisms within the service organization need to be modified as well.
 - Inbound interactions reps (phone, chat, in-store) are evaluated based on the number of interactions handled in an hour. This metric should be changed to the amount of incremental revenue generated or, better yet, the marginal contribution from the call (total cost of call - revenue from call) keeping in mind that inbound interactions will typically require higher time investments on the part of the CSR to ask questions and make appropriate offers.

- To ensure continued success of the inbound program, organizations should also initiate the right revenue recognition programs for revenue generated by the service organization so that both service as well as sales organizations are motivated to collaborate and achieve the required goals

Benefits

Infosys helps companies assess and realize the potential of the inbound customer service call. It helps companies in not only harvesting the inbound channels to gain incremental sales revenue, but also in improving customer satisfaction. Infosys works with companies to develop a strategy for implementing the inbound call center, operationalize it and measure benefits with the help of key parameters and metrics.

With robust change management methodology, Infosys helps companies turn silo-ed service and marketing departments into collaborative profit centered organizations. Key benefits that clients have realized include:

- Getting real time customer feedback helping improve service levels as well as develop new products/services
- Lower cost of enhancing value of existing customers over acquiring new customers
- Better collaboration between marketing and service departments with a focus on revenue realization instead of a silo-ed approach
- Unified view of the customer across the organization helping in improved customer satisfaction
- Reduced outgo on outbound marketing programs

Conclusion

- While inbound channels have been focused on providing customers support, there is immense upside potential in leveraging them as profit centers.
- Organizations, however, need to strengthen the service approach to first ensure complete customer satisfaction before making intelligent offers to callers.
- Inbound and outbound marketing can form a formidable collaborative model to increase market penetration for different product/service lines, grow market share and revenue and build an invaluable databank of critical customer information such as needs and buying patterns that can help drive new product development.
- To achieve this, companies will need to align their processes and systems along with their culture to ensure that call center agents double up as excellent service support as well as sales personnel. This will result in a competitive advantage in terms of enhanced customer satisfaction levels in addition to significant revenue growth.

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