THE TRANSFORMATION OF O2 - A VANGUARD CASE STUDY

Introduction

In December 2012 Julie Collins, Head of GoodLife[1] for O2 decided that the traditional model both she and her peers were using to run the Telecomm giant's contact centres were no longer providing incremental improvement. As Julie reports, "I knew from listening to customer demand that the issues were coming from other parts of the business – but I didn't have a method or approach to influence change in other parts of the business.''

This is a common problem for call centre managers, mainly because they all run their operations in the same way. Typically management have four main points of focus:

1. PCA – percentage of calls answered, or the reverse equation, percentage of calls abandoned.
2. TCHT – Total call handling time, typically made up of talk time and after call work.
3. CSI – Customer service index scores.
4. People management.

These measures and foci are ubiquitous in the industry and are used to control all facets of the business. For example if operating costs start to increase then the manager simply adjusts the TCHT downwards. The assumption being that if more calls can be handled in less time then there will be an opportunity to reduce headcount and hence reduce costs.

If PCA starts to suffer, again the answer is to adjust the TCHT. More calls handled in less time means more availability.[2] And if there is a problem with the CSI scores managers will typically ask the adviser to be extra nice or give them a script like "after this call you'll get a text about the service you received today, I trust you were happy with our service and you'll take that into account when you get the text". In some cases managers even coach a focus on 'topical' conversations, for example linked to where the customer lives, in order to build rapport and improve CSI scores.

The problem with these methods is the unintended consequences of their execution. TCHT is an arbitrary number which is simply the output from dividing the number of expected calls by the number of available hours. This provides the manager with the time that must be hit if the centre is to handle all calls. Typically this number is dished out as a target and advisers managed against the number. Those failing to hit their TCHT get reprimanded. CSI can be, and is, manipulated by what advisers promise to customers and often it ends in a complaint.

As Julie said "I was fed up with the industry standard operating model, I knew it didn't work and simply caused problems for us in different parts of the business. I'd been round this circle numerous times, I wanted to do something differently. I also knew that measuring total call handling time was driving the wrong behaviours but simply removing TCHT as a measure also made no difference."

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[1] Goodlife is the name for customer service in O2. The role of this area is to handle calls from customers once they have arranged a new contract.

[2] When PCA is low some managers will ask operators pick up the phone take a number and promise the customer a call back a later date.

Understanding the Problem

Julie decided that the starting place was to do ‘Check’. Check is a term invented by John Seddon, head of consulting firm Vanguard. Vanguard’s Systems Thinking model allows managers to study the contact centre from the perspective of the customer and understand the negative consequences associated with targets, incentives and badly designed processes and policies.

Julie disclosed that, “looking at my business from a different perspective was both an enlightening and painful experience. It made me see that some of the assumptions we use to run contact centres are completely flawed”.

The high level output of ‘Check’ provided data in a number of areas:

1. The number of calls handled in one stop from the customer’s perspective.
2. The number of calls passed on to other areas.
3. The number of calls passed back to the customer with no resolution.
4. The number of calls where a commitment was made to further action, called ‘Set Up For Resolution’.
5. The volume of calls deemed ‘Value demand’; a call related to the organisation’s purpose and typically a revenue generating call.
6. The volume of ‘Failure demand’ calls; calls caused by a failure of the organisation to do the right thing for the customer.

The results weren’t pretty but are also not uncommon in the industry.

- 75% of all calls into Goodlife were failure demand calls.
- Only 33% of the calls were ‘sorted there and then’.
- 17% of calls were passed on to another department.
- 4% were passed back to the customer without resolution.
- 46% were ‘set up for resolution’ (known as SUFR).

And as we did more digging we found more problems, especially in the SUFR category. Many of the customers in this category assumed that their query had been closed when it hadn’t. Typically an adviser would fill in a form to have a request fulfilled for a customer but as there were frequently long delays in resolution, the customer would repeatedly call back to chase progress (failure demand calls). To understand this further Julie and her team started to study individual customer journeys.

More harsh reality ensued.

Dorothy, a 67 year old, had the kind of experience not uncommon in the telecoms industry. She called O2 looking for an easy to use mobile. She was given a Samsung Galaxy S2… not an easy to use mobile. Within two weeks she was back wanting to switch her phone. And was given another easy to use phone [sic] an Apple iPhone 4. This was a classic SUFR transaction.

The adviser had to complete a form to have the old phone cancelled. The form went to India to be processed due to lower transaction costs, but the agent in India cancelled the wrong phone. This resulted in Dorothy getting a cancellation notice and numerous bills for the cancellation of the Apple iPhone. More visits to the O2 retail store and more phone calls to O2 ensued. In the end Dorothy made or received:

- 5 store visits
- 3 contacts from the store
- 7 incoming calls from Dorothy
- 4 calls back to Dorothy
- 3 webchats

… before the problem was resolved.

This highlights a major problem with the call centre industry. Each of those transactions was within standard i.e. the adviser complied with the time allocated to handle the call and was polite and friendly. But no-one had an end to end view of the customer experience, so the real cost of the transaction was never calculated. Additionally each of those calls, visits and webchats were failure demand but as call centre managers do not tend to differentiate between value and failure demand, no attempt is made to get underneath the reason for the call and ascertain whether it's a predictable problem and should be turned off.

The data led us to our first question – what to change?

What to Change

Studying the system revealed that what should be changed is contrary to what would normally be tackled in the industry. Julie comments, "we'd normally take action on the advisers and ask them to be more active, try to re-engineer processes or cross-skill our resource pool, but we'd never before decided to tackle the sacred cows – measures and targets, functional design, authority levels, IT access and incentives… but now we had the evidence everything was up for grabs".

The first problem was the functional design of the business. Because advisers had been placed into 'skill groupings' and were being measured against call handling time we were making it easy for them not to want to take the call, citing 'this call is not for me'. And management behaviour reinforced the view that calls should be 'passed on' so that the agent could hit their TCHT.

The second issue was the targets. Because TCHT assumed an average call time some advisers would come in higher than average (this is the nature of having an average number). The problem was not however an agent issue, it was based on the type of calls they got that day. For example failure demand calls take longer to handle than value demand calls.

Next were incentives. Agent behaviour was being manipulated to satisfy commercial targets. This is why Dorothy was sold the inappropriate Samsung phone; there was an incentive targeted on that model. However, as illustrated by the case of Dorothy, management attention to the output of the incentive was masking the unintended consequences of agent miss-selling.

Then we had to tackle management behaviour. Though we were now measuring advisers differently, management were still paying attention to the old numbers. This meant that if you were an adviser you'd be in a worse state than you were before, conflicted between displaying a new set of behaviours based on new measures and no incentives and your manager still telling you to hit the numbers. So we changed the role of the manager. This involved a complete rewrite of their job role, union negotiations and lots of re-education of the internal management community.

Finally **four core processes** were changed in the business:

1. Handling a return or phone in need of repair
2. Taking on a new customer or contract
3. Arranging to renew a customer contract
4. Disconnecting a customer from the network

Though we would eventually make improvements, the analysis taught us that trying to fix Goodlife in isolation was a rather futile exercise. The problem was that nearly all the calls into Goodlife were failure demand and had originated at the point of sale.

For example:

- A customer taking out a new contract requests their choice of direct debit date. The rules state this can only be done at the end of month one. So the customer has to call back… to Goodlife.
- A customer who is bringing their existing mobile number over to O2 and has their PAC code is told by the sales adviser that they are unable to do the number port and that they have to call back later… to Goodlife.
- A customer taking out a second contract or buying an accessory is given a second (or third, or fourth etc.) user name and password. This causes confusion at the billing stage and generates numerous calls…

In total around 25 different call types cycled back to Goodlife as a result of badly designed processes. All of which impacted on customer service, capacity, the costs of running the centre and the ultimate costs to the company of completing the sale.

Clearly dealing with a customer call 'clean', so that there was no need for the customer to call back, was the key.

Note: This is one of the core points of this paper, most organisations seem very complex, when in reality if you know how to look you'll see that making a change to only one or two major points of leverage can influence the whole business.

How to Cause the Change

As with the rest of the intervention the lessons during this phase of the work are often about counter-intuitive thinking. A normal change programme would see the hunt for quick wins and the roll out of new processes. This was not how we worked.

The key was in changing the perspective of both front line staff and management. In both cases we wanted the people in the business to see the world from the customer's point of view. This was a challenge as the mindset had previously been 'try to help the customer but only if you can do it within your TCHT'.

The new message was 'given the choice between hitting your TCHT and serving the customer, choose the later, every time'. This required that we changed the old measures (TCHT, conversion rates, CSI scores – now called lagging measures) to a new set of measures (leading measures). The new measures were based on what we did during Check. So now teams were measured on the percentage of calls sorted there and then, the volume passed on and back and the percentage set up for resolution. And we made one other major change. We did not set the team a target. We reported the number achieved for the week and then posed a question to the teams "what would you have to change to improve this number?" What we wanted to do was unlock creativity within the teams. We succeeded.

Advisers started to come up with fantastic ideas to switch off failure demand, in one case a front line member of staff built a programme to calculate the balance of a bill from the point of sale to the first billing date. This calculator has now been rolled out through the business.

As a means of changing perspective advisers and managers were given an action centred induction to the new way of working. This meant going out and listening to calls, following customer journeys and 'feeling' what it was like to be a customer. Some advisers commented that it was like having scales removed from their eyes. For the first time ever they were able to see the end to end journey of the customer. They were able to see the effect of the measures on their own and their colleagues behaviour and they were able to imagine a new way of working where they could do what mattered to the customer rather than trying to sell a product to meet their incentive.

Once the advisers and managers had gone through their induction a team of coaches then moved into the team to support the behavioural change and visual measures and better management information was made available for our leaders.

At the time of writing this study[3] we have 650 advisers rolled-in to the new system, all working against a new set of operating principles which promote taking ownership of the customer's experience to the end of their journey, making decisions that are proportionate and accountable, solving problems and discussing performance at visual measures meetings.

However the proof of the pudding is, as they say, in the eating – so what did we achieve?

[3] June 2013

The Results

- **Repeat Calls** - Customers who spoke to a Systems Thinking early life adviser were 8.5% less likely to call back within 30-days than those that spoke to a non-ST adviser. This equates to an actual drop of 17% in calls from ST teams in early life.

- **Number of Calls to Complete a Sale and Failure Created** - In Telesales and Re-contract it takes fewer calls to complete a telesales sale and Re-contract sale. There is also 23% less failure demand created from both of these channels, which would have appeared in customer service (Goodlife and Early Life). The cost to complete a Re-contract in Systems Thinking teams was £0.27p lower per sale than in non-Systems Thinking teams.

- **Net Sales** – Re-contract conversion rate for Systems Thinking teams is 18.8%, for non-Systems Thinking teams it is 16.4%. Customers served by Systems Thinking teams invested an average of £10 more per deal compared to non-ST teams. The returns rate is also around 50% less than the non-ST teams. Net sales for new connections are equal.

- **In System Thinking teams only 29% of phones required to go in for a repair compared to 50% in non-Systems Thinking teams.** And although the TCHT is higher, due to taking the time to walk the client through how to download the latest software (which often solved their problems), the cost to service a customer in the Systems Thinking teams was still £2.56 lower per customer.

- **Manager's Surveys** - Those in the Systems Thinking teams scored 2% higher for their line manager and 2% higher for customer focus than those in non-Systems Thinking teams. Systems Thinking advisers value their manager 9% more than they did in 2011.

- **Customer Service Scores-** We have seen an improved trend over the past year for Systems Thinking teams, most scored around 20% higher in customer service scores.

- **National Customer Index Scores** – (The national customer satisfaction rankings provide insight into the leading organisations in each sector for the provision of customer service and satisfaction. Additionally the survey includes key insights into the drivers of customer satisfaction and loyalty.) Overall the satisfaction for customers dealing with O2 is 2 points higher, with an 8 point uplift for those interacting with the voice channel and a 5 point uplift for customers of Systems Thinking teams regarding how they feel about their tariff.

- **The Overall Cost of Running Telesales** was £0.50p lower per sale in the Systems Thinking teams. And the cancellation rate for ST telesales was just 6.48% compared to 10.79% in non-Systems Thinking teams.

- **Telesales Repeat Calls** - An estimated 52% fewer calls annually will come from Telesales and sourcing partners. If we extrapolated to all inbound sales channels this would eliminate 1.29 million calls per year, an annual saving of £4.3m.)

Next Steps

The next part of the programme sees further engagement with O2's sourcing partners. O2 plan to roll-in more Telesales advisers in the sourcing partners as well as in-house teams as these are key drivers of failure demand into the business.

O2 will be discussing contract suitability to support Systems Thinking with its sourcing partners. Moving from a cost per transaction to a cost per customer model will underpin the management focus and behaviours required to embed this transformation.

Retail has already asked us to support their move to a more customer focused store. Our analysis has shown that only 50% of customer demands in a store are sorted there and then. Initially we will be supporting the management of flagship store in the White Rose Centre to improve the number of transactions handled in one stop.

O2 are currently running Systems Thinking trials in Web-Chat in India, the retail division and other consumer voice teams.

The key focus is to sustain the change through management reinforcement of the new work principles and problem solving. A large part of the time in the future will be spent in leadership coaching and engagement to ensure this.

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Further Information

VANGUARD
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If you'd like to pursue your own Systems Thinking change programme starting with Check, as Julie did, contact Vanguard Scotland's consultants on (0)131 440 2600 or email Office@vanguardscotland.co.uk

For information on management training sessions to introduce you to Systems Thinking and what is involved in changing your organisation to a Systems Thinking design go to www.systemsthinkingmethod.com