

Research

State of Customer Service in the Communications Sector

North America and UK

December 2008

Industry study conducted by eGain Communications



The communications sector has seen a rapid explosion of technologies with convergence and “multiple play” reconfiguring the industry and the competitive landscape. Products and services are getting commoditized at a breakneck pace, while Average Revenue Per User (ARPU) and operating margins continue to erode. Macroeconomic volatility makes these challenges even more daunting. Furthermore, the balance of power has shifted to consumers with information ubiquity and reduced switching barriers, and communications companies are struggling to manage business consolidation and customer service quality in an environment of increasing M&A's. All of these factors have combined to elevate the importance of customer experience to the only sustainable business differentiator in this sector. In fact, a recent Accenture survey revealed that communications subscribers identify a differentiated customer experience as the most important factor when choosing a new provider.¹ To add to this, a survey conducted by JupiterResearch found that 40% of communications subscribers said they would purchase from a different provider based on a poor customer service experience.²

However, the current state of customer service in this sector leaves much to be desired. According to a survey of communications subscribers by Forrester Research, over 60% of respondents thought their provider's online customer service experience was unsatisfactory. Phone customer service seemed to perform better, but still, half of the respondents were unsatisfied with their phone experiences.³

As part of an ongoing effort to assess the state of online customer service and promote best practices, eGain has been conducting cross-industry benchmarking surveys in North America and the United Kingdom since 2003. This report is based on findings about the communications sector from the following studies:

- **2008 State of Customer Service in North America**
- **2007 State of Customer Service in the UK**

The full reports of cross-industry and industry-specific findings from the North America and UK studies are available at www.egain.com/best_practices/research.asp.

¹ *Customer Centricity: The New Axis of High Performance*. Accenture. 2008.

² *Customers' Experience in Telecom: Challenges in keeping Pace with Change*. JupiterResearch. 2007.

³ *The State of Service Provider Customer Service*. Forrester Research, Inc. March 2008.

About the “2008 State of Customer Service in North America” study

This research makes a holistic assessment of the state of customer service by measuring performance across many dimensions and abstracting it to an overall score called the Service Quotient™ or SQ™ for individual companies, the communications sector, and the overall market. The study benchmarked 120 leading enterprises in the US and Canada, including 20 leading communications companies, and evaluated interaction channel choice, email customer service, web self-service, multichannel consistency, and multi-agent consistency with the following quantitative measures:

- **Email Quotient™**
- **Self-Service Quotient™**
- **Choice Quotient™**
- **Multichannel Quotient™**
- **Multi-Agent Quotient™**

The Multichannel and Multi-agent quotients measured the consistency of answers and process across multiple channels (phone and email) and multiple agents on the same channel (phone).

About the “2007 State of Customer Service in the UK” study

This survey evaluated only the email and web self-service capabilities of 125 leading companies in the UK, out of which 26 companies were in the communications sector. eGain plans to perform a more comprehensive assessment of UK companies' customer service performance in 2009.

I. Benchmarking Methodology

eGain used a “mystery shopping” approach to evaluate service performance. Analysts first evaluated the choice of interaction channels including web self-service options, offered by these companies. Posing as prospective buyers of high-value products and services, they then contacted these businesses for customer service through email and phone.

The mystery shopping queries were customized for each evaluated business, and ranged from basic questions such as “I am interested in a bundle package - internet, phone, and TV. What deals do you offer?” to more complex questions such as “Me and a few of my friends are interested in a circle connection. What are the maximum connections we can have, and can I also include an international number in this service?” Based on the interaction options offered, and the speed, quality and consistency of responses, the analysts then calculated the Choice, Email, Self-Service, Multichannel and Multi-Agent Quotients. The Multi-Agent Quotient was calculated for the phone channel by contacting a minimum of two agents, and the Multichannel Quotient was based on phone and email channels. Only the Email Quotient and Self-service Quotient were evaluated in the UK study.

The aforementioned sub-quotients were then abstracted to an overall Service Quotient (SQ). Assessed for each company in the North America study as well as the communications sector and the overall market, the SQ was normalized to a scale of 0.0 to 10.0, with 10.0 representing the highest possible score. Scores within each sub-quotient and the overall SQ were grouped into the following categories:

Sub-quotients based on a scale of 0.0-4.0:

Score <1.0 = Poor

Score ≥ 1.0 and <2.0 = Below average

Score ≥ 2.0 and <3.0 = Above average

Score ≥ 3.0 and ≤ 4.0 = Exceptional

Overall SQ based on a scale of 0.0-10.0:

Score <2.5 = Poor

Score ≥ 2.5 and <5.0 = Below average

Score ≥ 5.0 and <7.5 = Above average

Score ≥ 7.5 and ≤ 10.0 = Exceptional

II. Communications Sector Performance

SQ

In the North America study, the communications sector was one of the top overall performers. The SQ was 4.7 out of 10.0; however, on a scale of 0.0-10.0, it is clear that the results were still “below average”. In fact, 65% of the businesses scored “below average” or “poor”. In addition, the lowest score was 1.5 while the highest was a near-perfect 9.3. This gulf in scores demonstrates the sector’s enormous potential for improvement in customer service.

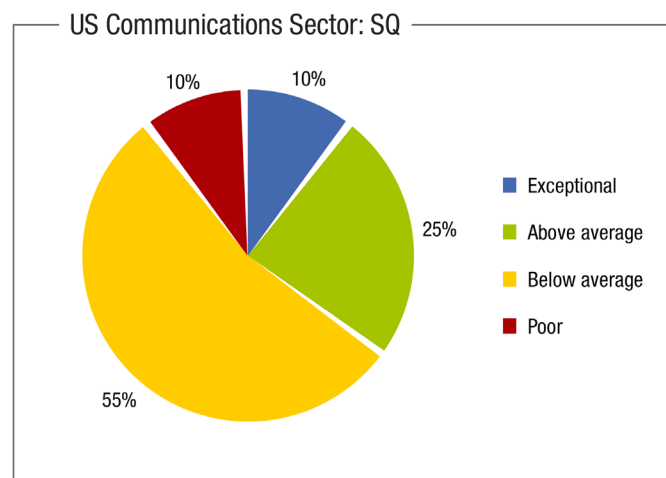


Figure 1: The overall Service Quotient (SQ) for the communications sector in the North America study

Choice Quotient

The Choice Quotient for the communications sector in the North America study was “above average” at 2.3 out of 4.0 with 55% of the businesses scoring “above average” and 20% scoring “exceptional”. When looking at the overall market, the communications sector scored above the curve in the Choice Quotient with only 25% of the companies scoring “below average” or “poor.” Communications companies that innovate in customer service by offering multiple interaction channels with escalation to agent assistance can out-compete their competition and thrive in the highly competitive business environment.

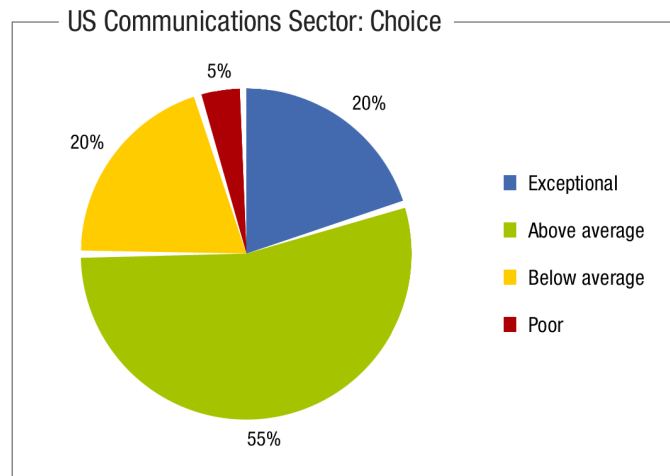


Figure 2: The Choice Quotient for the communications sector of the North America study

Multichannel Quotient

In the North America study, the Multichannel Quotient for the communications sector was a “below average” 1.2 out of 4.0. While 30% of the businesses surveyed received an “exceptional” score, a shocking 65% received a “poor” score of 0.0. The remaining 5% scored in the “above average” range. Compared to the overall market, the communications sector performed below the curve in multichannel consistency and was one of the worst performing sectors in this area.

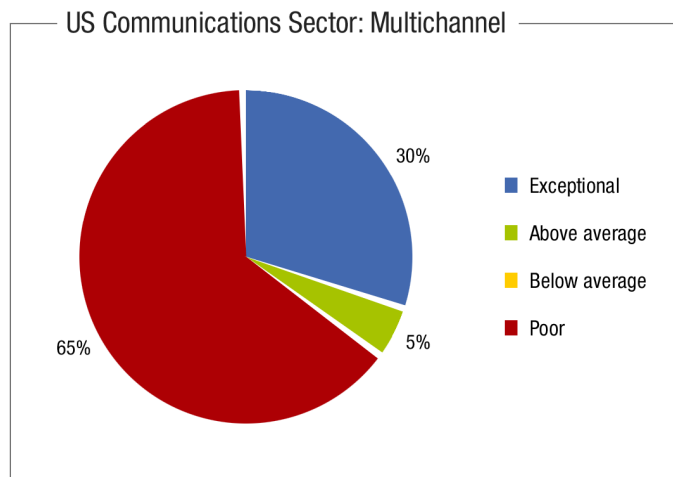


Figure 3: The Multichannel Quotient for the communications sector of the North America study

Multi-Agent Quotient

The Multi-Agent Quotient for the communications sector in North America was “below average” at 1.7 out of 4.0. Only 30% of the businesses surveyed received an “exceptional” score, while 50% received a “below average” or “poor” score. In this sub-quotient, the communications sector came out below the market curve. The sector performed “below average” in both the Multichannel and Multi-Agent Quotient, but the consistency of customer service within the same channel (phone) was significantly better than the consistency across channels. Despite this, there is plenty of room for improvement in both quotients.

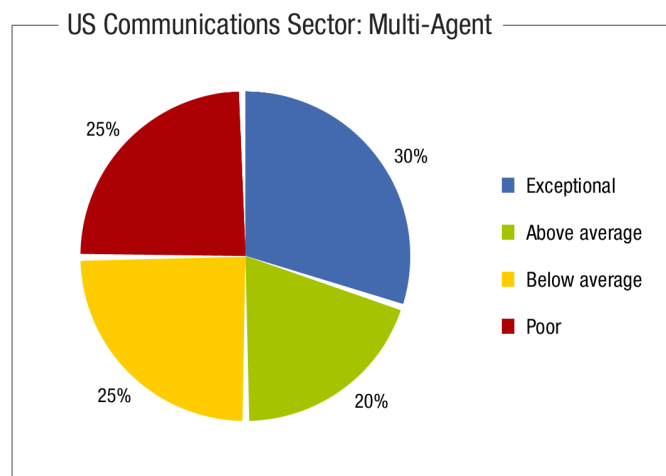


Figure 4: The Multi-Agent Quotient for the communications sector of the North America study

Email Quotient

In the North America study, the Email Quotient was “above average” at 2.5 out of 4.0, placing it at the top of the pack. 20% of the businesses scored in the “poor” range, but 45% were “exceptional”. In addition, the likelihood of an email being ignored decreased since the last North America study from 40% to 20%.

In contrast, the state of email customer service was very different in the UK study. The communications sector came in last with a “poor” score of 0.8 out of 4.0 in the Email Quotient. A shocking 73% of the communications companies were rated as “poor” while only 19% were “exceptional”. In fact, all of the companies which scored poorly did not respond to emails at all, so the rate of ignored emails in the UK study was 73%.

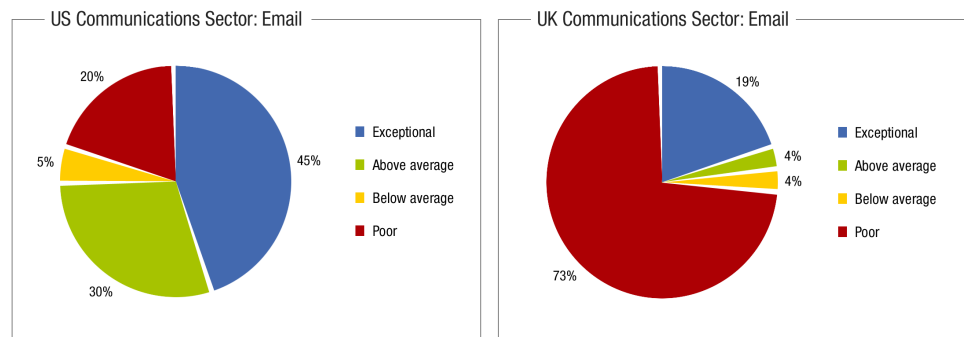


Figure 5 and 6: The Email Quotient for the communications sector of the North America study and the UK study

Email customer service was analyzed in both the North America and UK studies using the following criteria:

Responsiveness

About 20% of the emails in the North America study were ignored, down from a prior 40%. In addition, 55% of the emails were answered within 24 hours compared to 40% in prior North America research. Moreover, only 35% of the companies took over 48 hours to respond to emails.

In the UK study, 73% of the companies failed to respond to emails. Only 15% of companies managed to respond within 24 hours. Shockingly, a combined 81% of the companies took over 48 hours to respond to email inquiries or did not respond at all.

In the communications sector, the state of email responsiveness was very different across geographies. Despite this, there is still room for improvement in this area for both regions.

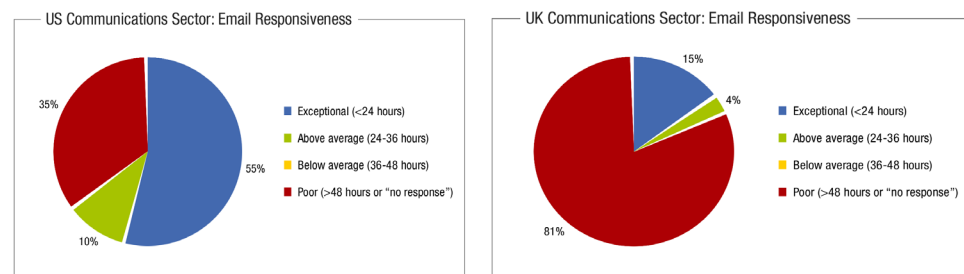


Figure 7 and 8: Email responsiveness for the communications sector of the North America study and the UK study

Quality

Along with email responsiveness, email response quality also improved since the last North America study. The rate of “exceptional” responses jumped from 9% to 40%, and the rate of “poor” responses decreased from 40% to 35%. However, 45% of the companies still received a “poor” or “below average” score in email quality.

In the UK study, email quality and responsiveness performed at just about the same level. 81% of the companies received a “poor” or “below average” score, while only 15% received an “exceptional” score.

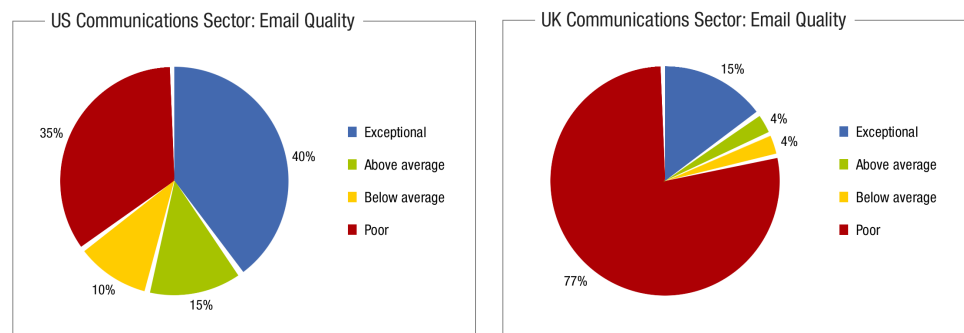


Figure 9 and 10: Email Quality for the communications sector of the North America study and the UK study

Self-Service Quotient

In the North America study, the Self-Service Quotient for the communications sector was just average- 2.0 out of 4.0, yet it was one of the highest Self-Service Quotients in the study. While 50% of the businesses scored “above average”, 45% were “below average” or “poor”. Only 5% were “exceptional”.

In the UK study, the communications performed at the top in web self-service, second to only the local government sector. However, the sector still received a “below average” score of 1.7 out of 4.0. A majority (58%) of the companies received “poor” or “below average” ratings, while only 19% were “exceptional”.

In the Self-Service Quotient, the UK communications sector was not too far behind North America, but both studies show that there is much room for improvement in web self-service for both.

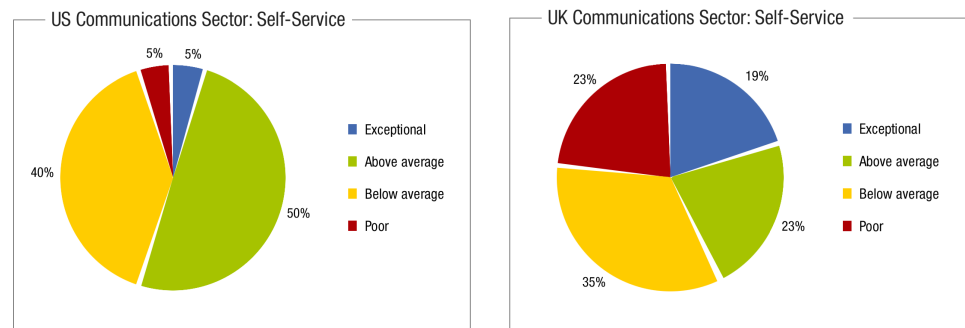


Figure 11 and 12: The Self-Service Quotient for the communications sector of the North America study and the UK study

III. Next Step: BPAS

Survey after survey of consumers confirms that “me too” customer service is no longer enough to create customer loyalty. Today’s communications leaders dominate their market by out-innovating and out-doing competitors in customer service, while adding to topline growth through point-of-service sales and marketing. Is your customer service organization using contact center best practices, leveraged by the Global 2000 winners?

Find out by requesting a Best Practice Assessment Study (BPAS) from eGain, a recognized leader in customer service and knowledge management software. Our most successful clients had one thing in common – they started with a BPAS, when they launched their customer service transformation initiatives. You can play a vital role in reinforcing your company’s competitive position and boost your visibility in the executive suite by taking this proactive approach and leveraging the secrets and best practices used by these leaders. Unlike traditional assessment studies from the Big Four that can cost upwards of \$20K, our BPAS will cost you nothing and there’s no obligation to buy anything from us. You will receive advice based on the industry’s most comprehensive body of innovations, best practices and domain expertise that we have built up by serving world-class companies for over 10 years. Register at www.egain.com/bpas to qualify.

IV. Best Practice Recommendations

eGain is a pioneer in the area of customer service and knowledge management, and has been delivering trusted solutions since the 1990s to the world's leading companies, including many in the communications sector. Our white papers reflect expertise we have gained from helping hundreds of enterprises set up world-class contact center and customer service systems. You can download our best practice white papers at: www.egain.com/best_practices/library.asp and visit www.egain.com today to learn more about our solutions.

To read our case studies in the communications sector, visit www.egain.com/solutions/telecom.asp and www.egain.com/customers/success_stories.asp.

About eGain

eGain is a top-rated provider of multichannel customer service and knowledge management software for in-house or on-demand deployment. For more than a decade, the world's largest companies have relied on eGain to transform their traditional call centers, help desks, and web customer service operations into multichannel customer interaction hubs. Based on the Power of One™, the concept of one unified platform for multichannel customer interaction and knowledge management, these hubs enable dramatically improved customer experience, end-to-end service process efficiencies, increased sales, and enhanced contact center performance.

Headquartered in Mountain View, California, eGain has an operating presence in 18 countries and serves more than 800 enterprise customers worldwide. To find out more about eGain, visit <http://www.egain.com> or call the company's offices: 800-821-4358 (US headquarters), 1753-464646 (UK and Continental Europe).

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