



Research

Email Customer Service in North American Small and Medium Businesses

Based on the State of eService Benchmarking Series™ Study
Conducted by BenchmarkPortal, Sponsored by eGain Communications



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Imagine you own a retail store. Customers frequently come into your store with questions about buying high-margin products, but nearly half the time you ignore the customers' questions and walk away! Seems impossible? But that is what's happening in eservice today among businesses both big and small, as studies in the **BenchmarkPortal State of eService Benchmarking Series™** reveal.

BenchmarkPortal, a contact center best practices organization, conducted two studies in 2004–2005 to evaluate the state of eservice in North America. The first study, *eService in North American Enterprises*, benchmarked the email-based customer service and web self-service offered by 300 enterprises in the US and Canada, with more than \$250M in annual sales, across various industries. The recently concluded second study, *Email Customer Service in North American Small and Medium Businesses*, was the first ever study to focus exclusively on eservice in small and medium-sized businesses (SMBs) and benchmarked email-based service in 147 companies. Both studies were sponsored by eGain, a leading provider of customer service and contact center software for in-house and on-demand hosted deployment.

In recent years, online spending has grown tremendously. But the growth in ecommerce has happened in spite of—not because of—the state of online customer support. Our research indicates that there is great untapped potential for growth. The findings of the second study were even more shocking than those of the first study—email-based customer service provided by SMBs is worse than the inadequate service offered by large enterprises. This report discusses the key findings and includes industry-specific analyses of the five sectors that were benchmarked.

Methodology

A sequel to the landmark study of enterprises, the goal of the second study was to assess the state of email customer service in US and Canadian SMBs with annual revenues between \$10M and \$250M. Conducted in 2005, the study evaluated 147 SMBs spanning five sectors:

- ▶ eBusiness
- ▶ Financial services
- ▶ High technology
- ▶ Retail
- ▶ Travel and hospitality

BenchmarkPortal analysts, pretending to be prospective buyers, sent emails asking for information about high-value products and services through webforms or email addresses provided on the company websites. The companies were then evaluated on both their response time and the quality of the response (if any was received).

Key findings

The study revealed that the state of SMB eservice is even more appalling than that of enterprise eservice. While 41% of enterprises did not respond to emails, the non-response rate for SMBs was a stunning 51%! This trend is disturbing, given the increasing preference of consumers for interacting with businesses through electronic channels rather than getting sucked into IVR black holes or being put on indefinite holds on the phone.

Among key cross-industry findings are:

- ▶ 51% of SMB companies did not respond at all, versus 41% for enterprises.
- ▶ 70% of SMB companies failed to respond within 24 hours, versus 61% for enterprises.
- ▶ 79% of the companies responded with inaccurate or incomplete answers. Here, SMBs performed better than enterprises, where 83% of the companies sent inaccurate or incomplete answers.

Among industry-specific findings, the highlights are:

Responsiveness

- ▶ Surprisingly, SMB financial services and retail companies were the least responsive, with 72% and 60% respectively not sending responses at all.

- ▶ Even the ebusiness sector, which performed the best in responsiveness, had low scores with only 52% responding within 24 hours.

Quality of response

- ▶ Financial services again performed the worst with 89% of the companies providing inaccurate or incomplete answers. High technology was the second worst sector with 86% of the companies providing inaccurate or incomplete answers. This is a disturbing trend given that sophisticated, high-value buyers in these sectors tend to use the web extensively.
- ▶ The travel sector performed the best. But, even in this sector, two-thirds of the companies provided inaccurate or incomplete answers.

Cross-industry results

Both studies reveal that most North American businesses, big and small, are missing out on revenue opportunities due to poor online customer service. Though the popularity of web-based interaction channels continues to grow, businesses have not been able to exploit the potential of these channels for connecting with their customers. The handful of companies that respond promptly and accurately to customer emails increase trust in their brand, bolster customer satisfaction, and boost sales both online and offline.

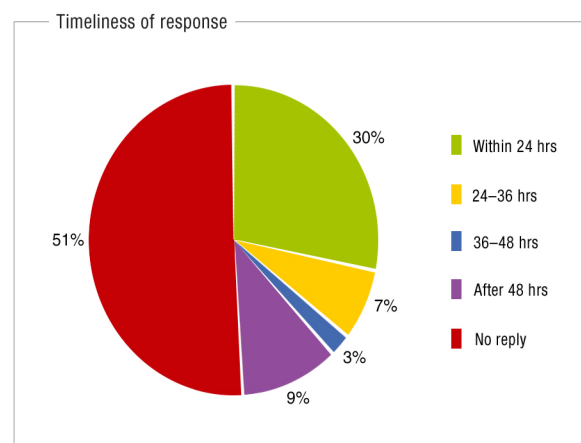
Timeliness

People now expect the same—if not better—level of service from online storefronts and service channels as they do from a visit to a retail store or a phone conversation with an agent.

However, more than half of customer emails

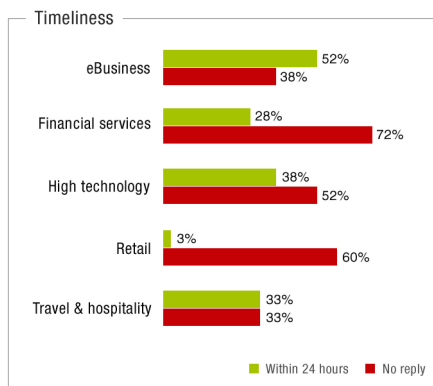
go completely unanswered, with less than a third being addressed within 24 hours.

A cross-industry breakup of the no response figures reveals an alarmingly high percentage of no responses in the financial services and retail sectors, 72% and



60% respectively. Even among travel and hospitality companies, which performed the best, 33% inquiries are left unanswered.

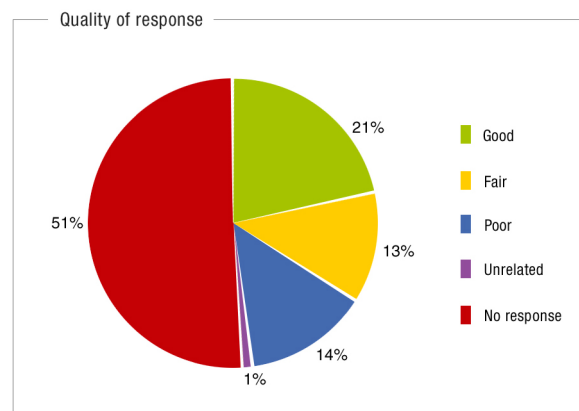
24 hours is considered an acceptable response time for the type of sales inquiries that were used in the survey. eBusiness companies performed the best in this area, with 52% answering within 24 hours. Only 3% retail companies sent a reply within 24 hours!



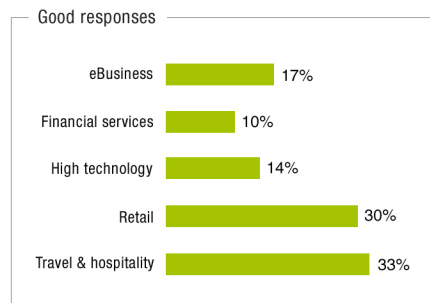
This graph shows the good and bad numbers by sector. What is immediately obvious that the performance of SMB retail companies is exceptionally poor. eBusiness and travel and hospitality companies seem to offer better online service than companies in other industries. The most prompt sector, eBusiness, barely responded to half of customer emails within a day.

Quality

Only 49% inquiries received replies. Good responses were as low as 21%. 15% of businesses responded with incomplete information, failing to answer the original question or requiring customers to



contact different service departments. Some sent responses that were so curt and perfunctory that they were likely to offend potential customers. In a sales situation, a company that fails to respond adequately to customer emails essentially asks their customer to take their business elsewhere. In a customer service situation, failing to meet a customer's expectations for email response can lead to more emails or escalation to telephone contact, increasing the cost of servicing each customer.

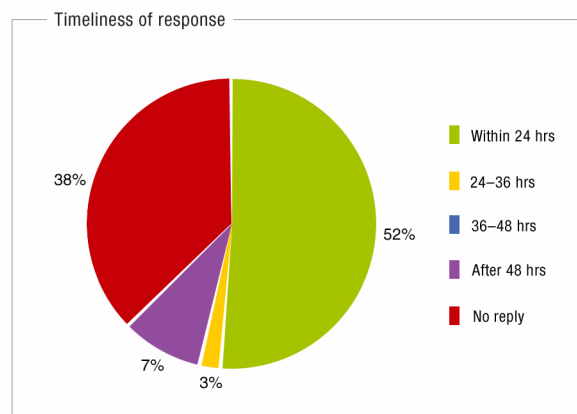


None of the sectors performed well. Even in the most responsive sector, travel and hospitality, a third of all email requests were ignored. The worst performing sector, financial services, ignored nearly three quarters of email requests. No sector provided “good” quality responses to more than a third of potential customers.

eBusiness sector

For an online business, the company website and email contacts are always your most important way of interacting with customers. Perhaps more so than any other industry, ebusiness demands superior online customer service. Sadly, the sector still has major shortfall in service quality.

Timeliness



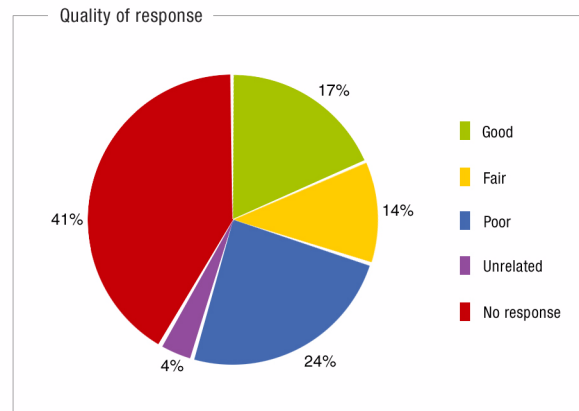
Though ebusinesses performed better than other SMB companies in this study, only 52% ebusinesses managed to respond within 24 hours to customer requests. The average response time for companies that actually responded was more than 36 hours, second worst

of all sectors. Their rate of non-response was the better than most sectors at 38%, but still represents a huge proportion of customer requests that have gone unanswered, especially given that ebusinesses—almost by definition—use email as a primary communication channel with customers.

Quality

In response quality, the ebusiness sector was mediocre at best. On top of the 38% of customers receiving no response at all, more than a quarter of customers received an unrelated or poor response. Only 17% of customers received responses

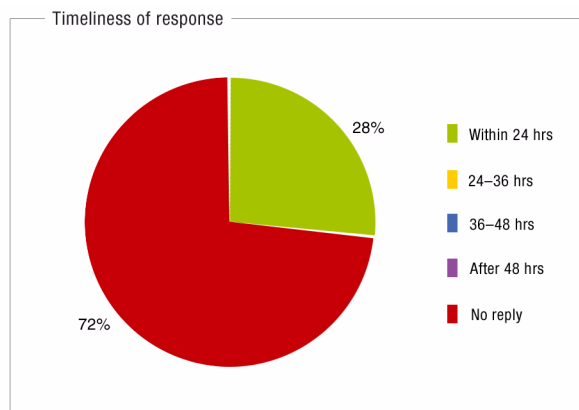
that fully addressed their needs. Consumer trust in online businesses is already far lower than trust in brick-and-mortar stores, and poor customer service online only reinforces customers' distrust. The ebusiness sector absolutely requires a strong email response system. Currently, most midmarket ebusinesses are falling woefully short of their potential.



Financial services sector

In the financial services industry, customer service makes and breaks relationships. Treating customers well and having a reputation for service is key. Interestingly, while enterprise financial services companies are typically at the forefront of adopting new customer interaction technologies, SMBs in this sector seem to be completely ignoring eservice.

Timeliness



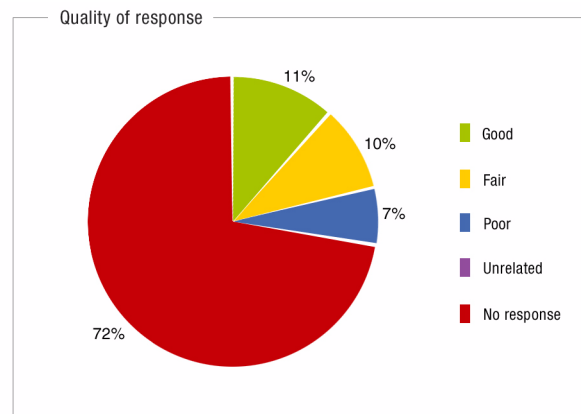
The financial services sector was full of extremes in our study: the vast majority of companies performed very poorly, but a handful provided excellent responses. Companies either failed to respond at all or responded within 24 hours. Unfortunately, the

financial services sector had the highest rate of non-response of any sector in our study: nearly three quarters of all financial services companies failed to respond to high value emails.

Financial services had the lowest average response time of any sector (for companies that actually responded), at 12 hours. This figure is misleading, however, because all but the best performing companies in this sector failed to respond at all.

Quality

The rate of “good” responses to emails was also the worst of any sector in the study, at 10%. Even if you only count companies that actually responded, only about a third of companies sent a high quality response.

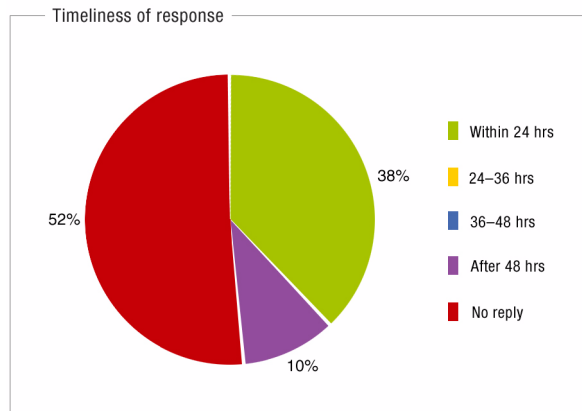


As in the travel industry, a handful of financial services companies greatly outperform their competitors when it comes to email response. Currently, only one out of every ten customers receives a helpful response to her email request.

High technology sector

The high-tech industry (which includes consumer electronics) fell in the middle of the road in our study. While the failings of other sectors were more egregious, the high-tech industry’s email responsiveness leaves much to be desired.

Timeliness

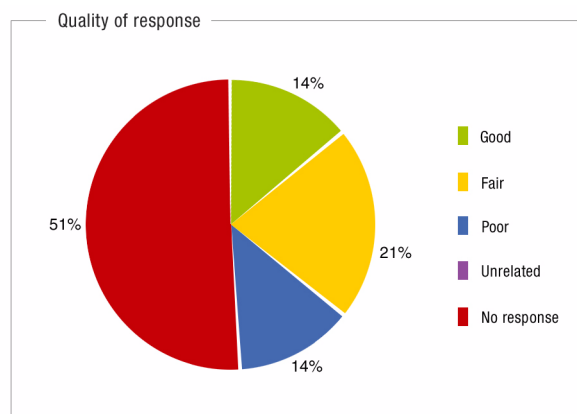


More than half of all our emails to high-tech companies went unanswered—a higher rate of non-responsiveness than average in our sample. More than a third of responses came in under 24 hours, though, and the average time for companies to respond was 26 hours.

Quality

The quality of responses in the high-tech sector was low, with significantly more than half of actual responses being either “fair” or “poor” quality. Only 14% of our emails received “good” responses.

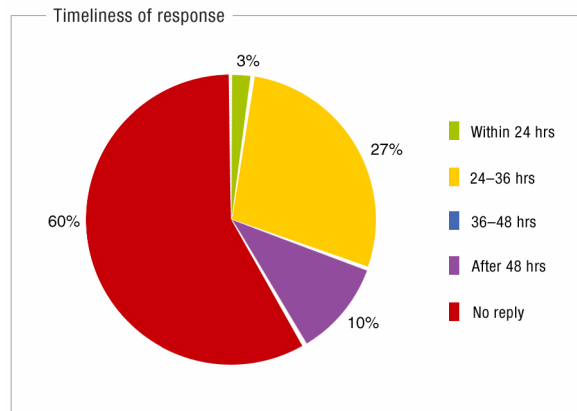
Currently, more than half of the companies in the high-tech manufacturing and services industry risk alienating their potential customers by not responding to email at all.



Retail sector

Surprisingly, the retail sector was among the worst-performing in our study. SMB retailers have a lot of catching up to do, it seems.

Timeliness

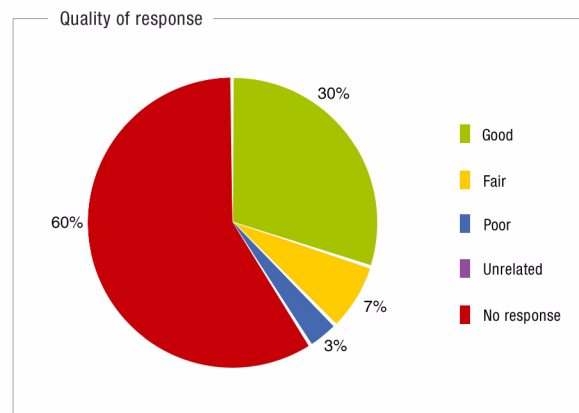


The timeliness of companies in the retail sector was abysmal. 60% of retail companies failed to respond at all to valuable customer requests—the second highest rate of non-response in the five sectors. Only one company responded within 24 hours. Of companies that did

respond to emails, the average response time was 54 hours: by far the highest of all the sectors in our study. Even if you recalculate the average response time excluding the slowest company (which took a staggering 10 days to respond to our initial email), the retail sector still has the longest average response time.

Quality

In response quality, the retail sector fares better than most. 30% of our customer emails received “good” quality responses. Which means that of the meagre 40% companies that actually sent responses, three quarters were of high quality.



The great majority of retail companies in our study show extremely weak online service, and given the realities of retail shopping, these companies are could be losing millions of dollars in potential business.

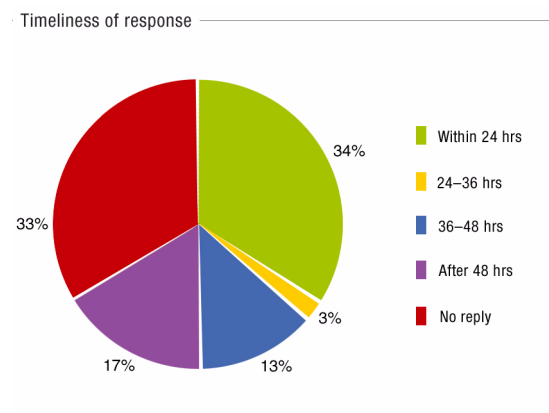
We suspect that many midmarket retail companies have online storefronts that are not adequately maintained. Not only does this mean risking business to companies with better online service, it also decreases consumer confidence in the brand.

Travel and hospitality sector

Whether it's hotels, airlines, or travel agencies, the travel and hospitality industry is a place where it's very important to pay attention to customers in the research phase. Potential customers want to shop around for the best rates on expensive lodging or transportation. In this sector, companies that don't want to miss out on valuable opportunities need to be particularly attentive to their customers.

Though the travel sector was the best performing sector in our study, 33% of companies failed to respond and only about 34% sent hood quality emails.

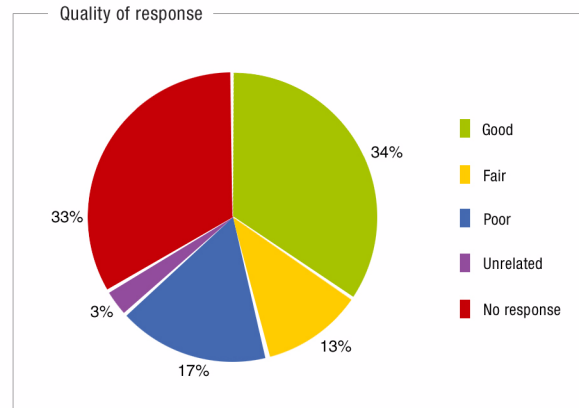
Timeliness



Even in this highest-performing sector, email response is far from stellar. A third of our inquiries about expensive services were completely ignored. Many travel companies are passing up prime opportunities to gain new customers.

Quality

Moreover, the gap between the best and worst performing companies in the travel sector is huge. The minority of companies that provide superior email customer service are likely to take the lion's share of the business away from the majority of travel and hospitality companies that performed poorly in our study.



Next steps

So where do you go from here? Whether you want to learn more about email response, gather more best practice information, or purchase an email response management system, eGain can help.

The eGain website has a number of white papers with detailed information about improving your email customer service. Our white papers include:

- ▶ Managing Customer Emails: 10 Telltale Signs You Have Outgrown Microsoft Outlook
- ▶ Managing Customer Emails: 10 Telltale Signs You Have Outgrown Lotus Notes
- ▶ Mission-Critical Email Customer Service: 10 Best Practices for Success
- ▶ Next-Generation Email Management

If you'd like to speak to someone about the email response solutions that eGain offers, please call us in the United States at 800-821-4358 and in London at 1753-464646. We would be happy to share best practices with you and recommend solutions for your eservice needs.

Related white papers in the eGain library

eGain is a pioneer in the area of eservice and knowledge management, and has been delivering trusted solutions since the 1990s. Our white papers reflect the expertise we have gained from helping hundreds of innovative companies set up their contact center and customer service systems.

You can download our best practice white papers from our website at www.egain.com/best_practices/library.asp

About eGain

eGain (OTC: EGAN.OB) is a leading provider of customer service and contact center software for in-house or on-demand deployment. Trusted by prominent enterprises and growing mid-sized companies worldwide, eGain has been helping organizations achieve and sustain customer service excellence for more than a decade. 24 of the 50 largest global companies and growing medium-sized businesses rely on eGain to transform their traditional call centers, help desks, and web customer service operations into multichannel customer interaction hubs, and to extend their service-based competitive advantage.

eGain Service™, the company's software suite includes integrated, best-in-class applications for web self-service, email management, knowledge management, live web collaboration through chat and cobrowsing, automation of fax and paper-based service interactions, case management, and service fulfillment. These robust applications are built on the eGain Service Management Platform™ (eGain SMP™), a scalable next-generation framework that includes end-to-end service process management, multichannel, multisite contact center management, and certified out-of-the-box integrations with leading call center, content, and business systems.

Headquartered in Mountain View, California, eGain has an operating presence in 18 countries and serves over 800 enterprise customers worldwide. To find out more about eGain, visit www.eGain.com or call the company's offices: 800-821-4358 (United States); 1753-464646 (London).

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