

**Right-Channeling:  
Making Sure Your Best Customers Get Your Best Service**

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## Executive Summary

All customers are not created equal. Some are more valuable to your business than others. They may have greater value because they spend more. They may have greater value because they buy high-margin products. They may have greater value because they have a well-known name and/or are highly referenceable. Or they may have greater value because they show potential of becoming a bigger customer in the future.

Regardless of the specific reason, your company must be able to selectively provide different levels of service to customers based on their value to the business. ***By giving your most valuable customers superior service, you keep them happy—significantly increasing retention of these high-value customers and maximizing the total business value they generate over time.***

This doesn't happen by accident. It happens when a customer service organization purposefully creates and applies policies that govern how service is provided to customers based on their value to the company. These policies determine which customer's phone call gets fast-tracked and which customer is directed to use the web and/or voice self-service. They determine how specific types of email questions are routed and escalated. They determine who is given access to online chat and who isn't.

***This is the essence of "right-channeling": serving each customer via the most appropriate channel and priority level for that specific relationship and that specific interaction.***

Right-channeling does more than provide premium customers with premium service. It also ensures that the money spent on customer service is well-aligned with business value. With right-channeling, service resources are allocated where they do the business the most good. So high-cost call center minutes are devoted to high-value issues, while low-value issues are handled via low-cost channels.

Three conditions are required for right-channeling:

- Clearly defined, value-based segmentation of service customers
- Effective, integrated management of all customer service channels
- Creation and application of value-appropriate policies and processes across those channels

Companies that fulfill these right-channeling requirements will consistently maintain the loyalty of high-value customers—and thereby do a better job of retaining them over time. ***By reducing the resources consumed by lower-value customers, they will also optimize profitability.*** Customer service organizations that successfully practice right-channeling will therefore operate at peak efficiency and make the greatest possible contribution to their company's long-term success.

## Segmenting Customers for Right-Channeling

A basic prerequisite for right-channeling is customer segmentation. The sophistication and granularity of this segmentation will vary from company to company. It will also change over time, as companies enhance and refine their right-channeling strategies. But some sort of segmentation is essential as part of any right-channeling initiative.

Actually, many companies already have solid customer segmentation data in hand as a result of marketing and/or business performance management programs. In these cases, customer service organizations can leverage existing customer lists to jump-start their right-channeling efforts.

There are a variety of attributes that can be used to segment customers for differentiated customer service. These include:

### Revenue

In the absence of more sophisticated profitability analysis, the easiest way to select a company's most valuable customers is by sheer volume. ***Many companies get a large percentage of their total revenue from a relatively small percentage of their customer base. These customers merit special treatment.*** Plus, in many cases, those customers are very well aware of the fact that they represent a major share of sales—so they will expect and demand preferential treatment.

### Profitability

With the growing emphasis on business performance management and other metrics-based management strategies, many companies are focusing more on customer profitability than pure sales volume. In fact, in some cases, companies are actually trying to abandon their less profitable customers—even if those customers generate a lot of top-line revenue. Companies that have these profitability metrics in hand (or that can assume profitability based on the types of products and services specific customers buy) may want to segment their service policies accordingly.

### Special factors

Sometimes a customer's value can't be measured in dollars. For example, a high-profile customer may warrant special treatment because its name looks impressive on marketing materials or because it represents an important win in a targeted vertical market. Certain customers may also be especially valuable because they have a great story to tell and have shown exceptional willingness to tell that story to prospects and the media. Such customers should also be considered when implementing right-channeling policies.

### Potential value

Smart companies don't just look at the value of a customer today. They also consider what a customer will be worth in the future. On the consumer side, for example, a recent college graduate may not have much disposable income and may therefore not generate much in the way of immediate revenue. But, over the long term, a customer in that demographic may become a high-value buyer. On the B-to-B side, a biotech startup may also be relatively small as measured in current sales. But, because of the potential growth in that market sector, such a customer's future value may be worth the investment of some extra care in the present.

### **Fee-based**

Of course, the most obvious reason to give customers premium service is because they are paying for it. Companies that sell premium service contracts must therefore be able to deliver the special treatment they've promised and been paid for. Such contracts can offer a great way of transforming customer service organizations from cost center to profit centers.

### **Customer preference**

Right-channeling does not have to be driven entirely by internal service policies. Often, customers will explicitly express a preference for a particular channel or make a specific request about who their issues are routed to. ***By accommodating these channel preferences and requests, customer service organizations can significantly strengthen business relationships.***

### **Issue-specific differentiators**

Right-channeling is not always driven exclusively by customer attributes alone. It is also often appropriate to handle an incident based on the specific type of issue or question involved. There are some types of incidents—such as a service outage or something that could threaten someone's physical health—that need to be prioritized no matter who is affected. Effective right-channeling policies will take these issue-specific differentiators into account wherever necessary.

Successful right-channeling doesn't require that all of the above factors be taken into account. Nor does it require the creation of complex matrices that weight multiple factors to drive incident workflows. This list simply outlines the various factors that companies may want to take into account when determining how any specific customer interaction should be handled.

Does this mean that non-premium customers shouldn't receive great customer service wherever possible? Of course not. Companies succeed by treating every customer as important and valuable. However, in a world of limited resources, it makes sense to provide premium (or potentially premium) customers with premium service—and to ensure that low-value interactions don't consume costly service channel capacity.

## The Right-Channeling Contact Center

In addition to segmenting customers in a way that allows right-channeling policies to be appropriately targeted, customer service organizations must also have contact center systems in place that are capable of implementing those policies. Several characteristics are particularly important for contact centers to successfully support right-channeling strategies.

### Multiple robust channels

You can't right-channel your customers if you don't have multiple channels and/or if your execution on any of those channels is sub-standard. Right-channeling therefore requires companies to have several channels in place and to make sure that each channel is delivering an optimized level of service. Typically, these channels will include:

- phone
- voice self-service (IVR)
- email and/or web forms
- web self-service
- online chat

Additional channels may include in-store service centers, postal mail, kiosks and fax. Not every company needs to have all channels in place. But if the choice of channels is too limited—or if any individual channel is under-functioning—the effectiveness of a right-channeling initiative will be limited.

### Channel integration

Multiple robust channels alone are not sufficient for right-channeling. To effectively implement policies across channels, there must be integration between channels. Otherwise, the customer service organization will only be able to prioritize queues for individual channels—rather than implement true right-channeling policies.

Upon receiving an email from a customer, for example, a customer service representative may see:

- 1) that the email is actually a follow-up to an earlier phone call
- 2) that the customer has a premium service entitlement
- 3) that the incident is nearing the resolution threshold set by that entitlement

In such a circumstance, the service representative should be able to pick up the phone to ensure immediate resolution of the problem. ***The representative should also be able to make all appropriate notations about the email and the closing phone call on the same record.*** This is not possible if disparate applications are used to manage each service channel.

### Consistent information

Right-channeling initiatives can also be compromised if customers get different answers to their questions depending on which channel they use. The purpose of right-channeling is to ensure that customer service resources are allocated in a way that is well-aligned with the business. This should happen without confusing customers who use multiple channels or giving some of them inaccurate answers. By using a common knowledge base across all channels, customer service organizations can provide customers with consistently accurate answers regardless of whether those answers are delivered by the most expensive or least expensive means available.

These three attributes are not only important for right-channeling. They're vital for optimizing the quality and efficiency of any customer service contact center. However, they are particularly critical for companies seeking to reap the full benefits that accrue when customers are served in a way that accurately reflects their value to the company.

## **Right-Channeling Policies**

Once a company has both 1) defined customer segments that merit service preferences and 2) implemented a customer service communications architecture capable of supporting right-channeling, it can then determine what sorts of policies are appropriate for those segments. These right-channeling policies allow the company to intelligently handle customer interactions based on relevant criteria—including customer value, customer preference, customer need, resource availability and interaction cost.

Right-channeling policies can vary greatly from company to company. At some companies, the policy strategy may be as simple as pushing "A-list" customers to the top of all phone, email and chat queues. At others, a more complex set of policies may be implemented based on multiple customer segments and multiple tiers of service. However, policies typically revolve around a few primary service parameters.

### **Channel access**

Sometimes only certain customers are allowed to use a specific channel at all. Some Internet-based companies that provide free entry-level versions of their software, for example, only allow customers using those free versions to use web and email support. Phone support is only available to those who have upgraded to the full paid version of the software.

### **Priority**

Queues for each channel can also be weighed based on customer segmentation. This prioritization may be applied in a common manner across all channels or may be different for each channel. For example, customers with active accounts may receive priority treatment in the call center. But that same policy may not be applicable to chat, where priority may be given to those who launch chat sessions from the transaction area of the web site—regardless of whether or not they're already an active customer.

### **Response/resolution times**

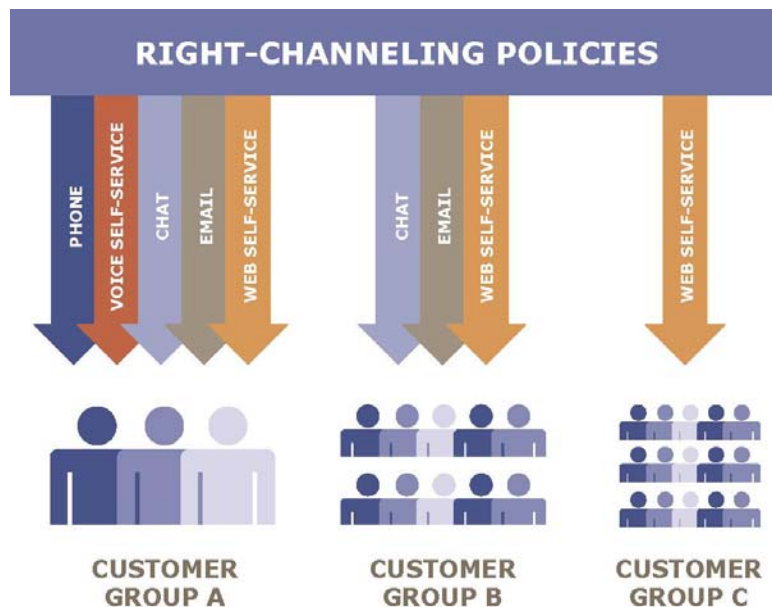
Right-channeling may also involve the application of guaranteed response and/or resolution times to various channels. ***Premium customers may be promised one-hour response times to their emails, for example, while non-premium customers may have to wait up to 24 hours.*** In some cases, these policies may be applied across channels. For example, a customer service representative may have to respond by phone if an email from the customer indicates that an earlier problem remains unresolved and is in danger of violating a service level agreement.

## Escalation

Right-channeling policies may also govern the escalation of incidents. For example, premium customers may be allowed to submit incidents via email directly to customer service, while non-premium customers are required to first go through web self-service before submitting an incident via a web form. Premium customers may also be allowed to specifically request a callback in their emails, while non-premium customers' emails are exclusively replied to in kind.

## Routing

Routing can be another important component of right-channeling policies. Premium customers may be assigned a specific customer service representative and/or a specific alternate. So calls, emails and chat sessions from these customers will be routed to their designated contacts.



*With right-channeling, customers are serviced via the communication channels most appropriate to their business value, needs and/or preferences.*

There are also a variety of customer service best practices that, while not specifically defined as right-channeling, are very useful as part of a right-channeling strategy. For example, "hold" messages for non-premium customers may encourage them to browse web self-service to resolve their issue more quickly. Or when non-premium customers submit an incident via a web form, they may be reminded that turnaround times are 24 hours or less—but that faster service is available on a paid basis. This can encourage the purchase of premium support contracts.

Again, the types of policies that a company implements will be driven by their specific business goals and objectives. Most companies choose to apply simple policies at first, and then refine those policies over time based on measured improvements in efficiency and feedback from customers. **The key principle is that customer service organizations must apply some sort of business logic to the way they handle customers' incidents.** Without these purposeful policies, low-value customers can quickly consume an inordinate share of an organization's limited customer service resources. Right-channeling is simply a way for customer service departments to begin intelligently allocating their resources so the needs of the business are more effectively served.



## **Right-Channeling and the Bottom Line**

Customer service departments are under tremendous pressure to deliver high-quality service within fairly tight resource constraints. This pressure will increase as the economy grows—since the attitude of upper management towards that economic growth remains cautious, and investments in increased service capacity are therefore likely to lag behind actual growth in demand.

In this business environment, right-channeling is critical. Right-channeling delivers several key benefits to customer service organizations seeking to maximize performance under the twin pressures of market growth and resource constraints:

### **Improved retention of high-value customers**

In a competitive market, every customer is up for grabs. Lucrative customers are especially subject to poaching by competitors. The quality of the service that these customers receive is a major factor in their decision about who they want to do business with. In some market segments, service quality may be the primary—or even the sole—factor in that decision. ***Companies that use right-channeling to consistently provide their best customers with superlative service will fend off the competition and reap maximum long-term value from those customers.***

### **Optimized operational efficiency/alignment**

As customer service departments are put under greater pressure to do more with less, it becomes increasingly critical that capacity not be wasted on low-value interactions. With right-channeling, every minute of talk-time and keystroking is effectively prioritized. Customer service representatives stay focused on the tasks that contribute most to the bottom line. This maximizes the efficiency of service operations and ensures close alignment with the real needs of the business.

### **Increased pay-for-service opportunities**

Many customer service departments are being asked to transform themselves into profit centers through the sale of service contracts and/or by helping the company better capitalize on cross- and up-sell opportunities. Right-channeling clearly plays an important role in supporting these types of initiatives by helping in the implementation of differentiated tiers of services and by ensuring that interactions with customers in targeted segments can be singled out for special handling.

### **Reduced staff turnover**

One of the biggest challenges customer service department managers face is employee turnover. Much of the turnover problem stems from the fact that service employees spend so much time answering the same trivial questions over and over, which leaves them with little sense that they are making any real contribution to the business. With right-channeling, on the other hand, employees spend more of their time on the kind of high-value interactions that they find most rewarding. In addition, the kind of highly efficient, well-aligned customer service department that right-channeling creates is in a much better position to offer performance incentives to outstanding individuals and the team as a whole.

Simply put, right-channeling is smart business. It empowers customer service organizations to deliver greater value every time someone picks up the phone, responds to an email, adds content to the web site or engages in a chat session. It also ensures that top customers consistently get the best service. That's why it's critical for every company to start developing its own right-channeling capabilities today.

## **About RightNow**

RightNow (NASDAQ: RNOW) provides organizations with industry-leading on demand CRM solutions to build customer-focused businesses. RightNow's acclaimed technology, comprehensive services and commitment to customer success deliver high returns on investment for its customers. More than 1,200 organizations worldwide use RightNow solutions including British Airways, British Telecom, Cisco Systems, Continental Tire North America, John Deere, Nikon and the Social Security Administration. Founded in 1997, RightNow is headquartered in Bozeman, Montana, with additional offices in North America, Europe and Asia. For further information, please visit [www.rightnow.com](http://www.rightnow.com).

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