Justifying Knowledge Management In Customer Service

how customer service organizations can justify the use of knowledge management
in customer service situations (beyond ROI), resulting in more effective interactions

THINK**JAR**

Introduction

Ever since the 1960s,[1] we have been trying to figure out what knowledge management is, how it works, and more importantly – how to implement it in organizations around the world. There is no denying that knowledge is the basis for any business to operate efficiently – especially in customer-facing situations, but there is a lot of debate about how to make it happen.

During the 1980s, we discovered that information and answers provided to customers who called the call center needed to be the same each time. The role of customer service moved from handling exceptions to managing all interactions equally for all customers.

The era of the service economy, the rise of the web, the advent of empowered customers, and the relative ease of use and maintenance for knowledge services aligned to deliver web self-service as a viable solution for customers. Web self-service for customers was born in the late 1990s, and the emergence of knowledge management in customer service was complete[2].

The most complex debates to date around using knowledge management for customer service (see figure one for an ideal knowledge management implementation in modern times) has been how to build a business case[3] for it. It is

Figure 1 - Ideal Knowledge Management Model

expensive to implement and maintain, and the relative value of any piece of knowledge cannot be measured until used (and some of them are never used). Attempts at ROI calculations for knowledge have failed to deliver as estimated or been flat out wrong when implemented.

Building a business case for knowledge management is not just a matter of financials and returns on investment; the depth at which KM affects the organization is much deeper than financial impact.

Business Case for Knowledge Management in Customer Service

Building a business case for knowledge management is not just a matter of financials and returns on investment; the depth at which KM affects the organization is much deeper than financial impact only. There are benefits to using KM in customer service that go beyond financial value – and these are the benefits to tap into to show how KM delivers.
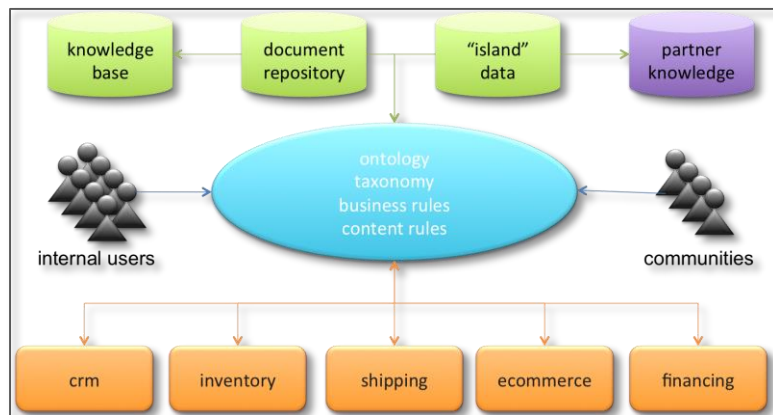
---

[1] http://en.wikipedia.org/wiki/Knowledge_management
[2] http://books.google.com/books?id=aOeAoTz24jUC
[3] http://www.enterprise-knowledge.com/building-a-business-case-for-knowledge-management/

There are three benefits beyond direct financial effect:

1. *Speed to Answer*. Customers want answers fast. The latest research indicates that customers are willing to wait[4] 30 minutes to one hour for the right answer – even less in social media. The overabundance of channels has made it impossible for organizations to deliver proper answers via all channels fast – but the rise of self-service using KM has led to great results in speed of answers – in some cases even removing latency[5] and wait time altogether. As customers find the information on their own (assisted in part by knowledge bases, but also communities and other social channels more and more), the need for fast answers is met by better use of technology – including knowledge management.

    Benefits: In our research, faster speed to answer customers has been linked to higher satisfaction rates, better long-term loyalty, higher degrees of trust, and higher levels of revenue among the hard benefits that were successfully tracked and measured. Soft benefits obtained from the improvement in speed to answer have been better engagement, higher likelihood to recommend (higher NPS), and higher employee satisfaction with no measured effect but with anecdotal evidence and ancillary data supporting it.

2. *Customer Satisfaction*. Although a byproduct of faster speed to answer is higher customer satisfaction (expectations being met faster), using KM even in cases where faster speed to answer is not noticeable links to higher customer satisfaction[6]. In a large sample of our research, we found that organizations that are keen to meet customers' expectations for the right information, at the right time, in the right channel use KM as a critical tool.

    Not having access to the right information is the most critical time-waste of preparing any answer for a customer. If the information is not available quickly, it is nearly impossible to deliver against expectations - using KM appropriately to fulfill the need for the right information leads to meeting expectations.

    Benefits: An increase in customer satisfaction is the sought-after benefit in this case, but in addition to that, we have seen decreased costs of customer maintenance, better service interactions (shorter and more productive), and lower churn rates for customers. Among the soft benefits we have seen happier customers and happier employees, more predisposition to buy or accept new offers, and increase long-term loyalty.

---

[4] http://www.1to1media.com/weblog/2011/06/how_long_is_too_long_to_wait_f.html
[5] http://www.fogbeam.com/zero_latency_enterprise.html
[6] http://books.google.com/books?id=n57fm9fO7woC&pg=PA736#v=onepage&q&f=false

3. *Churn*. Among the leading reasons for employees churning in any job is lack of proper tools – and this is even more prevalent in customer service[7]. Churn comes from having too many disjointed tools instead of a single screen, not having the latest information, or having to "hunt" for it among different systems, tools, and channels.

In addition, as customer take to more channels and processes become automated, only those complex processes will be left to be resolved by agents – and in those cases, the right tools can make a difference between a resolution or a frustrated call that needs to be escalated and made more complex. Our research has shown that a KM tool can provide them with what they need. Finding the right information is one third of delivering the right answer to the customer. When agents have the right access to the right information, they will more happily answer the interactions fast and effectively; happy employees don't churn[8].

Benefits: Employee churn is easily measured and tracked, but we found out that those organizations that were more successful in using reduced churn as a metric were able to do so by linking it to other KPIs such as cost of customer maintenance, increased revenues, or even loyalty measured in different ways (repeat purchase to higher ticket price).

As you can see, the proper use of KM has an effect in the entire spectrum of customer service – not just generating better content – in an ecosystem of customers, employees, and other interested stakeholders generating and receiving better value. The trick to justifying it in this manner is to have the proper metrics and approach to show how KM can engender a better service solution and experience.

---

[7] http://it.toolbox.com/blogs/insidecrm/5-causes-of-callcenter-agent-churn-and-how-to-beat-them-53557
[8] http://pierian.net/articles/200610many_costs_of_employee_churn.html

How to Justify Knowledge Management in Customer Service

To justify a KM implementation on something other than ROI, there are five (5) simple steps to follow, based on the above-mentioned research.

1. *Identify the pain point*. The first question to ask is what is the reason your brand needs to deploy KM. From the three business cases mentioned earlier (speed to answer, customer satisfaction, and churn), which one more closely resembles the current state and need of your customer service solution?

   Although likely all three (or more than one) are problems in your organization, which is the most pressing? The metrics and results from this deployment will be the best to justify the adoption. Further iterations will yield other metrics, but always aim for most impactful first.

2. *Find the right metrics.* Once the pain point to resolve is identified, the next step is to find the relevant metrics. Although the initial metric is simple to find, the trick to properly justifying the deployment is to be able to link the right metric to more relevant KPIs such as cost of customer maintenance, revenue, or other relevant KPIs for your business. This correlation is what is going to make justification easier to understand by all executives, not just those involved in customer service.

3. *Measure the baseline*. The case for improvement cannot be made without knowing where the starting point is. Improvements only happen on interactions that are measured, not anecdotally. Using metrics from the lists in the previous section, and the correlation chosen in the step before, measure and create a baseline over a set time period. Our research has found that providing two or more business cycles of measurements, to show trends, are more effective that measuring baseline only once.

4. *Find similar stories*. This is the step that most organizations miss and the one that makes justification easier. If the homework was properly done before, a short research of similar stories, either provided by vendors chosen or by conducting research on successful case studies, will provide executives that need to approve the business case with more ammunition than just a calculation. Even if the benefits cannot be quantified, as is the case with soft benefits and some of the metrics that cannot be correlated financially, the fact that someone else had success plays a big role in justifying adoption.

5. *Estimate and highlight the differences.* This is where the justification differs from the traditional return on investment calculation that estimates savings or revenue increased based on mostly guesses.

   Because the actual effect of the adoption is not known, and guessing is not a good justification when the results are not as expected, it is better to estimate the potential change and highlight the potential benefits. Because the metrics used are correlated to

KPIs, the justification is more than simple improvements to customer service, but also tied to specific metrics the company uses to measure its performance. Highlighting how the entire organization improves, not just customer service, makes it much easier to justify adoption.

As with any other enterprise software Implementation, the last step leads to the next iteration: finding the next pain point and designing a new solution based on what was learned.