

20%
cost savings

Talking Transformation

Building a sustainable service model for TalkTalk

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Nigel Pearson Senior Director of Customer Services, Talk Talk



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Building a sustainable service model for UK telecoms giant, TalkTalk

By the time TalkTalk de-merged from its parent, Carphone Warehouse, in 2010, it was already a leading player in the UK's highly competitive telecommunications industry. Confident growth, which has been a hallmark of TalkTalk's business to date, is set to continue as the company branches out into new areas of telephony and entertainment. Among its most ambitious new ventures will be the launch of YouView, a revolutionary TV offering that TalkTalk, in partnership with the UK's leading broadcasters, will bring to market in early 2012. Transcom, which supports TalkTalk's customer service and early collections activity from its Manila based contact center, is working with the company's business planning team to develop the service delivery infrastructure that will support the new venture.

Savings of £15 million have already been achieved. More are to come.

A history of growth

Since it was founded in 2002, TalkTalk's growth has been relentless. Strong sales have been bolstered by an ambitious acquisition program, which has built impressive market share in the fixed line telephone and broadband market. Inevitably, a history of acquisitions also left TalkTalk with a considerable integration challenge, not least in the area of customer service. In 2010 the company took stock and embarked on an exercise to restructure its customer service infrastructure from top to toe.

The restructure set out to reduce TalkTalk's outsourced service provider (OSP) relationships from six to two and establish with them a new kind of contracting relationship focused on the achievement of first time resolution and customer satisfaction. Its aim was to reduce costs and make them predictable while, simultaneously, delivering the consistently high service standards that TalkTalk deems essential for future success.

With cost savings of £15 million (around 20%) already in the bag, and service standards rapidly improving, much has already been achieved. More is to come. Transcom, which has supported Tiscali then TalkTalk from its Manila-based contact center since 2007, was confirmed in 2011 as one of TalkTalk's two future strategic partners. It continues to support TalkTalk in both customer service and early collections and, in the true spirit of the partnership now brokered between the two organizations, is working as part of TalkTalk's strategic planning team to create, from the ground up, the service delivery model that will support TalkTalk's new television business, YouView.

Partnership in action

“This is what we expect of our partners today,” says TalkTalk’s Senior Director of Customer Services, Nigel Pearson. “Not just exceptional service, that’s a given. We expect strategic input into solution design, based on relevant business experience and specialist expertise. We also demand flexibility and an uncompromising, contractual alignment to our business objectives.”

Transcom’s experience in both telecoms and TV is beyond question. The company has worked with innovators such as Orange, Vodafone, O2, Tele2, and Comcast across European and North American markets. So, with TalkTalk’s first demand dealt with, has Transcom met the second and delivered the flexibility and business alignment TalkTalk demanded?

“From the outset Transcom appreciated what we were trying to achieve through the restructure,” says Nigel. “They listened, responded and embraced change. And, throughout the inevitably complex change process, has hit each of the tough performance targets we have set.”

A contracting ‘first’

Nigel is convinced that the principal driver of customer loyalty in any contact center environment is the provision of a fast, accurate response to every customer issue that prevents the need for a repeat call. Most companies think they do well because they measure first contact resolution (FCR), but, in Nigel’s view, that doesn’t always give a true reflection of repeat calls and why they occur. Instead, TalkTalk measures actual call reoccurrence. It does so by capturing the Caller Line Identifier (CLI) for every incoming call and then monitoring for its recurrence over the next forty days. If a second call is received from that CLI within a seven day period, it is assumed that the customer’s initial issue was not resolved successfully. This CR7 score (Call Repeat within 7 days) is the most closely monitored metric across TalkTalk’s global contact center network. A further review is made at 40 days to ensure that no problems have occurred within a complete billing cycle.

TalkTalk has put the achievement of this demanding metric at the heart of its contract with Transcom.

“To my knowledge this is the first contact center contract in Europe to make the avoidance of repeat calls the primary driver of the provider’s remuneration – almost to the exclusivity of all other concerns,” Nigel asserts. “Quite simply, the better Transcom performs against this single metric, the better they are rewarded.” This focus on call reduction is balanced by a close attention to customer satisfaction and the agent’s ability to engage emotionally. Unless customers are delighted by the experience delivered by Transcom’s, its revenue potential will not be achieved, however high their first time resolution scores.

Customer satisfaction is measured via email and IVR surveys, which callers are invited to complete after every contact with the center. It asks, very precisely, for feedback about that particular telephone call and the agent's success in dealing with their issue. "It is, very much, a reflection of that single agent's performance," says Nigel. "And for that reason, we refer to it as our ASAT or Agent Satisfaction measure."

In the past year TalkTalk has seen CR7 scores across its global operation rise from around 60% to 76%, while Transcom in particular has achieved TalkTalk's stretching 80% target. Similarly, ASAT has risen from 73% to 81%.

Relentless focus

These performance improvements have been driven by a relentless focus on process improvement in which TalkTalk has collaborated closely with its providers. "I began by visiting every contact center operation in our network," says Nigel, "and audited their performance to ascertain exactly what might inhibit the achievement of our CR7 and ASAT scores. We identified the actions that needed to be taken in every case to give agents the knowledge, empowerment and motivation they needed to resolve customer issues in a single call."

Transcom responded immediately by boosting its training and coaching resources, developing meaningful incentive programs for its teams and reconfiguring its recruitment processes."

TalkTalk and Transcom share the view that agent training must be both thorough and unceasing, and that Team Leaders should play a vital role in making sure training is carried forward into real life on the calling floor. Transcom deploys a dedicated training team for TalkTalk, which rolls out constantly evolving training programs to reinforce the 12 lines of business Transcom supports.

"Induction training is, of course, vital, but beyond that, every one of our agents spends at least 5% of their working time in training," says Mark Lyndsell, Transcom's Senior Director of European Accounts. "Our Team Leaders spend 90% of their time coaching; they have no permanent seats and are encouraged to walk the floor constantly, listening to and evaluating calls. Along with our business managers, they are expected to be subject matter experts in each of TalkTalk's lines of business."

“ From the outset Transcom has embraced change and hit the tough performance targets set by TalkTalk. ”

Nigel Pearson, Senior Director of Customer Services, TalkTalk

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Driving down calls

Dealing with every customer's issue in a single call is only the first step towards overall call reduction. TalkTalk and Transcom have worked together to identify and address the ten main issues or problems customers call about. "Once we knew what those problems were we prioritized the development of knowledge bases that would help agents deal with them with absolute efficiency. Beyond that we established an internal cross-functional business improvement team that would take action to eradicate them at the source," says Nigel.

To ensure that continuous improvement becomes embedded in the business, TalkTalk also initiated the Goal Programme, which encourages agents to listen out for and take note of emerging customer issues. These are reported back to TalkTalk, along with recommendations about how they should be addressed, via appointed champions in the contact center. "It might be as simple as adding a new Frequently Asked Question to our web site, or it may involve a more fundamental change to an underlying business process," says Nigel. "Either way, we rely on Transcom's agents to think beyond the call they are dealing with to see how changes can be made that will prevent future calls and make life better for customers."

TalkTalk estimates that it may be possible to reduce calls by a further 40% as a result of this initiative and by the development of alternative, online and automated channels.

"This, too, is where Transcom has shown an unfailing pragmatism and willingness to partner. A less insightful OSP might resent falling call volumes as a potential threat to its revenue stream. Transcom has the maturity to recognize the business imperative that drives us and is as committed to call reduction as we are. Quite simply, Transcom recognizes that the future health of its business depends on the health of ours."

Transcom is also showing its commercial savvy by encouraging TalkTalk's customers to re-contract. When customers call with a service query, Transcom's agents are able to see the status of their contract on screen. If they notice that the contract renewal date is close, they will offer the customer the opportunity to re-contract there and then. "This makes a real contribution to customer retention," says Nigel, "and saves the cost of contacting the customer separately about contract renewal. Transcom has proved that its customer service agents can do more than simply deal with queries; they can take on tasks which generate profitability and revenue."

Within twelve months
TalkTalk has reduced its
call volumes by 20% with
Transcom's support, stripping
out £15 million of annual cost
from its business.

Offshore advantage

TalkTalk is committed to the use of offshore, with 80% of its total contact center operations outsourced to offshore locations, including Transcom's operation in Manila. "Offshore offers us a very attractive cost model, but requires diligent management," says Nigel. "We find that staff in the Philippines are more culturally aligned to the UK than most other locations and their language skills – including accent – are excellent. It also helps that Transcom's senior manager for our business in Manila is British. His presence provides a useful cultural bridge."

Transcom has been active in the Philippines since 2007 and is seeing a steady increase in the number of UK clients it serves from there. "People have tended to see the Philippines as an offshore destination for the US market," says Transcom's Vice President for North America & Asia, Geoff Smyth. "That's certainly been the case in the past, but the focus is shifting dramatically. Today there are around 40,000 contact center agents in the Philippines talking to UK customers. Many of them work for Transcom."

Certainly, Manila is delivering results for TalkTalk. "Transcom Manila outperforms most of our other locations for service quality and CR7 scores," says Nigel Pearson. "It is also significantly cheaper, with an average cost per call that's around 30% lower than the UK and at least on a par with India."

Fit for the future

With a new customer management infrastructure, underpinned by innovative results-based OSP contracts, a low-cost offshore business model and an unwavering determination to get it right for the customer, TalkTalk looks set to take the challenges of growth and product diversification in its stride.

About TalkTalk

TalkTalk is the UK's leading value for money provider of fixed line broadband and voice telephony services to consumers and business users.

www.talktalk.co.uk

Results summary

Transcom's work with TalkTalk has contributed to...

- 20% cost reduction – savings of £15 million within 12 months
- A 20% reduction in call volumes, from 25 million to 20 million

Transcom has delivered...

- An 80% CR7 score – a clear indication of strong 'first time fix'
- Customer satisfaction (ASAT) score of 81%
- A cost per call in Transcom's Manila operation that's 30% lower than UK equivalent
- A 30% reduction in the cost to collect overdue payment
- A 100%+ improvement in annual collection performance to £4.25 million per annum

Time to collect

“The performance improvements Transcom delivered in Manila were both immediate and sustained.”

Simon Rawlings, Head of Customer Finance, TalkTalk

Making early collections part of the customer lifecycle

In 2010 TalkTalk took the decision to restructure its early collections operations and to replace existing inhouse resources in the UK and Ireland with outsourced relationships in India and the Philippines. “When we acquired Tiscali they were already working with Transcom in Lithuania with promising results. We decided that we could improve things even further by consolidating most of our early collections activity alongside our outsourced customer service operations in Manila and Mumbai – not just for Tiscali customers but for the whole TalkTalk customer base,” explains Simon Rawlings, Head of Customer Finance for TalkTalk.

The move to Manila was completed in August 2010. Since then TalkTalk’s cost to collect has been reduced by 30% and, at the same time, its collections performance has dramatically improved. “Within the first year our annual collection total more than doubled from £2 million to £4.25 million within Transcom’s Manila-based operation,” says Simon.

TalkTalk’s collection performance has increased by more than 100% while its cost to collect has fallen by 30%.

In simple terms this means that more debt is being recovered during the all important 60-day period. It is after that point, if the debt is not recouped, that things become serious. Typically, the customer’s telephone service is withdrawn and the responsibility to collect is passed to a specialist – and more costly – debt recovery operation. “Working with Transcom to reduce the number of accounts crossing the 60-day fault line is delivering a real boost to our cash flow and to our ability to rehabilitate and retain customers,” says Simon. “Since the post 60-day recovery operation is approximately twice as expensive as early day collections, we are keen to avoid it whenever possible.”

These obvious benefits to TalkTalk’s cash flow have been achieved against the backdrop of an unparalleled recession within the UK and during a period of dramatic change within TalkTalk, as acquired businesses have been integrated to create a single customer base managed under a single brand. “Transcom’s approach has been constructive from the start,” Simon affirms. “They have recognized, not only what we’re trying to achieve, but the challenges that we have had to overcome as we restructured our business. They have flexed their operation to our changing demands and worked closely with us to improve the way we do things.”

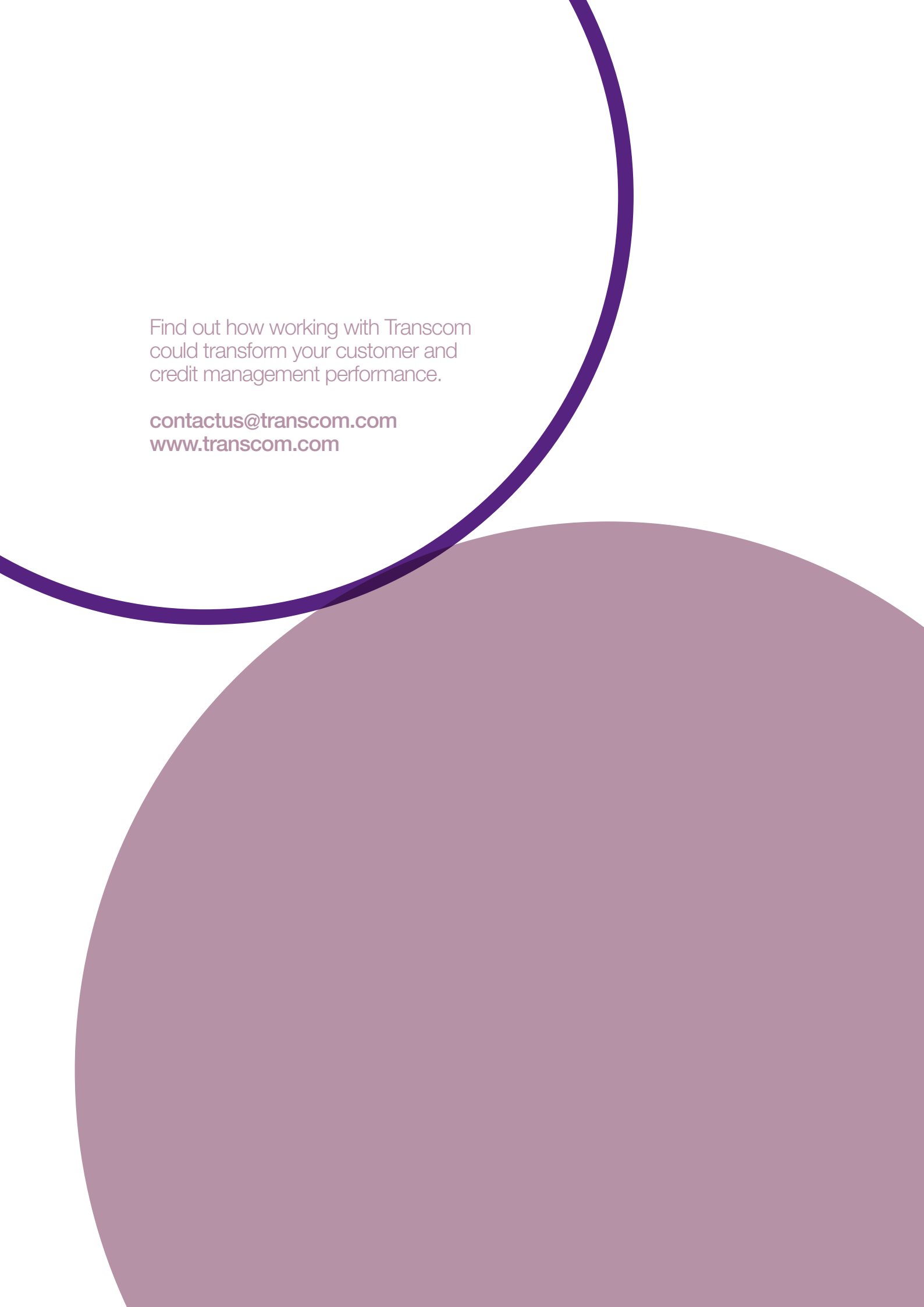
TalkTalk works hard to collect debt early, sending courtesy reminders to customers when their bill payment becomes due and by using outbound calling, voice messages and letters to prompt overdue payments. If accounts are not reconciled within a defined period, the customer’s access to TalkTalk services will be suspended, which typically prompts a call to the contact center. “Using a single dialer to manage inbound and outbound call traffic means the Transcom operation is extremely time efficient,” says Simon.

Customers are also segmented by their risk profile, so that those judged 'high risk' are contacted sooner and managed more assiduously than those that represent a lower risk. "Matching collections activity to the customer's risk profile means that our resources are directed appropriately, with greatest effort being dedicated to those debts that will be toughest to settle."

The transition from Lithuania to Manila, and the subsequent transfer of work from the UK, was, according to Simon, executed without flaw. "When we made the move we also changed the operating model significantly," says Simon, "moving from a price-per-minute contract to direct payment on results. This has fuelled high productivity and the right approach among Transcom's agents. We also agreed the recruitment profile and training process with Transcom in advance of the move and had two members of our own team on site in Manila for the first two months of the operation. Though we retained a parallel operation in Lithuania for the first two months in case of hiccups, it proved to be an unnecessary insurance policy. The performance improvements Transcom delivered were both immediate and sustained."

TalkTalk expects to see much closer integration between its customer service and collections operations in the future. "It certainly helps us that Transcom is expert in both of these areas," comments TalkTalk's Nigel Pearson. "Collections is, essentially, just one more stage of the customer lifecycle that every business has to manage. Having a single partner who can work across customer management and collections means we can manage holistically, developing service approaches that anticipate and overcome payment failures."

Transcom currently has 480 agents providing customer service and early collections support from its Manila contact centre. This is expected to rise to 850 by October 2011 and to 2,000 by 2014.



Find out how working with Transcom
could transform your customer and
credit management performance.

contactus@transcom.com
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