INSIGHTSQUARED

The Definitive Guide to

The Right Metrics for Your Customer Service Team

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Introduction

Customer service is an endless mission to keep customers coming back to your business.

As a customer service manager, you're always thinking about how you can retain customers. You constantly strive to expedite the service process without sacfricing quality. You know your team could be more efficient.

But how *exactly* can you increase efficiency? And how can you ensure a great customer experience no matter which rep or issue is involved?

In order to effectively manage your team and make customers happy, **you need to track customer service metrics**. Using data to drive decisions will allow you to pinpoint weaknesses and seek to improve them. But which metrics should you be tracking?

In this eBook, we'll explore the metrics that matter and explain why they matter. By the end, you'll know exactly how you can leverage your customer service data to answer the following questions:

- How are individual reps performing?
- How can your team's efficiency be improved?
- Are customers happy with your service?
- Which areas of your product should be improved?

Chapter 1

Rep Activity

Summary

In order to run an efficient team, you need to ensure that all of your reps are performing at a high level. Without looking at the numbers, it's tough to know which reps are underperforming. You may intuitively know who your best reps are, but do you know what makes them great? And do you know how to replicate their performance across your team?

By tracking the activity of each rep with customer service metrics, you can easily identify your top performers and weakest links.

Customer service is about scaling 1:1 human interactions. The most effective way to do this is to develop a process where you measure what matters and help your reps discover their own strengths and weaknesses.

There isn't one metric to rule them all. Rather, it's essential to analyze various metrics and compare them to understand the full story.

Tracking the right customer service metrics to improve your team isn't just good for business – it's great for customers.

In this chapter, we'll review the following metrics:

- Open Cases By Employee
- Service Activities By Employee
- Resolutions By Employee
- Time to Resolution By Employee
- First Response By Employee
- Backlog By Employee

Tracking these metrics will help you answer the following questions:

- Which reps have cases falling through the cracks?
- How much work is each rep doing?
- How much effort does it take for each rep to resolve a case?
- How long does it take each rep to respond to and resolve a case?
- Which reps could be more efficient?

Open Cases By Employee

Definition

The number of open cases awaiting a response, broken down by employee and segmented by time of last response.

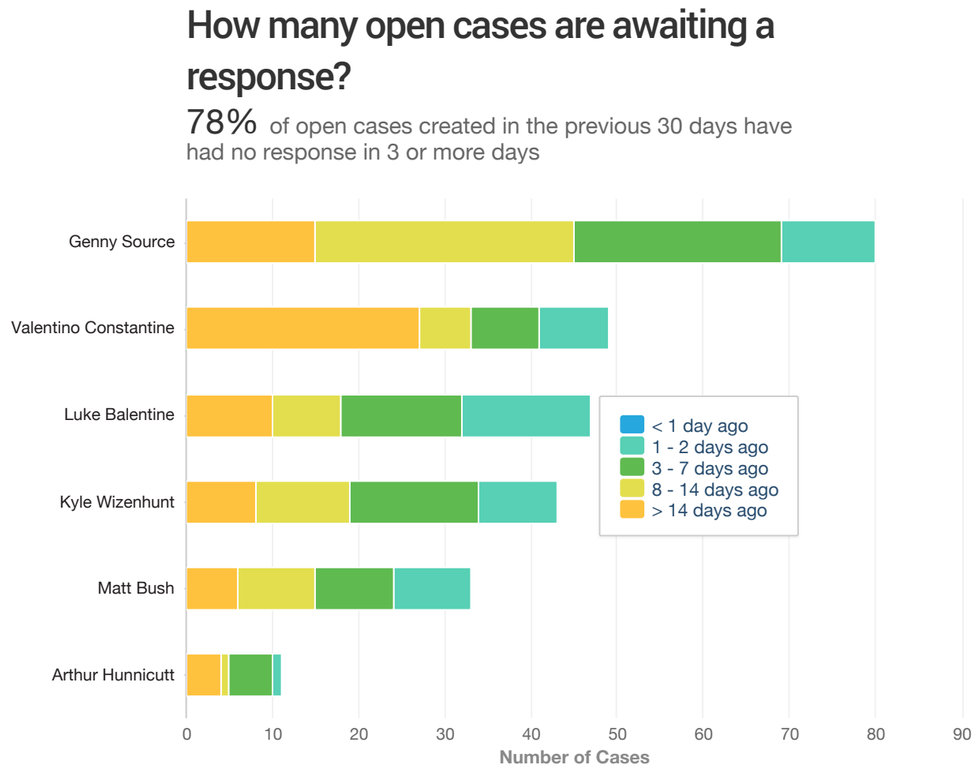


Figure 1

Genny has 80 open cases that were created in the past 30 days and are awaiting a response – that's 30 more than any other rep. Valentino has nearly 50 open cases awaiting a response, and more than half of those cases have been awaiting a response for over two weeks. Arthur has only 10 cases that are awaiting a response.

Questions to Ask

- Which reps have allowed cases to fall through the cracks?
- Which cases have fallen through the cracks?
- Which reps are overloaded with a lot of open cases?
- Which reps could potentially handle more cases?

Takeaways

It's important to make sure that each rep is responding to customers in a timely fashion and preventing cases from slipping through the cracks. Unattended cases will upset customers and expand your backlog. By looking at the number of open cases awaiting a response, you can easily see who has a lot on their plate and who could potentially bear more of the load. You can also see who has cases that are in desperate need of attention.

Once you have identified a disparity in workload, you need to discover the source(s) of the issue. Ask yourself: *What allowed this to happen in the first place, and how can we avoid this in the future?* Some of your reps may need coaching, if they have more far open cases than everyone else on your team. Or maybe your workflows and/or macros need to be updated to resolve this problem.

In Figure 1, Genny has the most open cases by far. But that doesn't mean that other reps on her team should have to pick up the slack. Instead, her manager should try to get to the bottom of the problem. Valentino has nearly 30 cases that have been awaiting a response for over two weeks. These cases should be addressed as soon as possible so they're not forgotten. Given Arthur's small number of open cases, he likely has some tips that could help Genny and Valentino handle cases more efficiently.

Service Activities By Employee

Definition

The number of activities performed by each employee, segmented by type of activity.

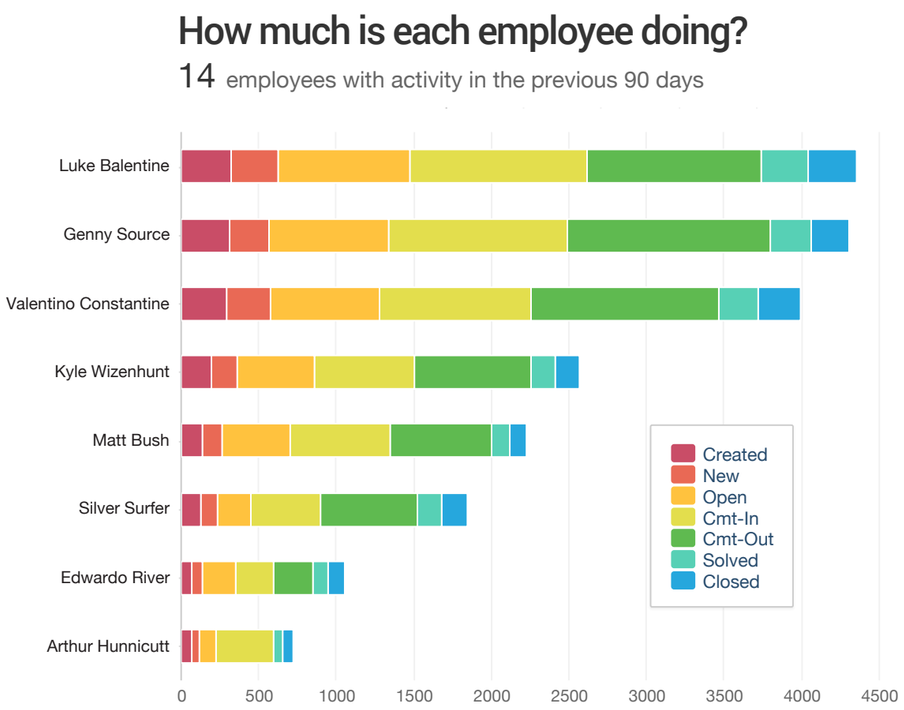


Figure 2

Luke, Genny, and Valentino performed far more activities than anyone else in the past 90 days. Arthur and Edwardo performed far fewer activities than anyone else during this time period. Kyle and Matt are in the middle of the pack.

Questions to Ask

- How much work is each rep doing?
- Which activities is each rep performing most frequently?
- Does the number of work each employee is performing align with the number of cases they're closing?
- Who is spinning their wheels or artificially inflating their numbers?

Takeaways

Tracking activity levels allows you to see which reps are doing the most work and which ones are doing the least. Looking at the number of specific activities performed by each rep will give you an even more granular view of this metric.

The number of activities will vary to some degree because people on your team have different roles. For example, Tier 1 service reps probably close more cases than Tier 2 reps, but Tier 2 reps probably send more comments. But if certain reps are doing less work than their peers of the same tier, you should find out why that is.

It's also useful to drill down to look at activities by individual employees over time. This will show you how each individual rep's activity levels have varied in recent history. Look at the relationship between activity types to identify trends. For example, maybe one rep's comments are trending upwards, while closed cases remain constant. Does this mean that they are handling more complex cases? Or is the rep just trying to look busier?

Figure 2 shows that Luke, Genny, and Valentino are doing more work than everyone else. Is this because of their roles on the team? Or is there an underlying reason that could be uncovered by digging a little deeper?

Resolutions By Employee

Definition

The number of cases resolved by each employee and the average number of activities performed to resolve those cases.

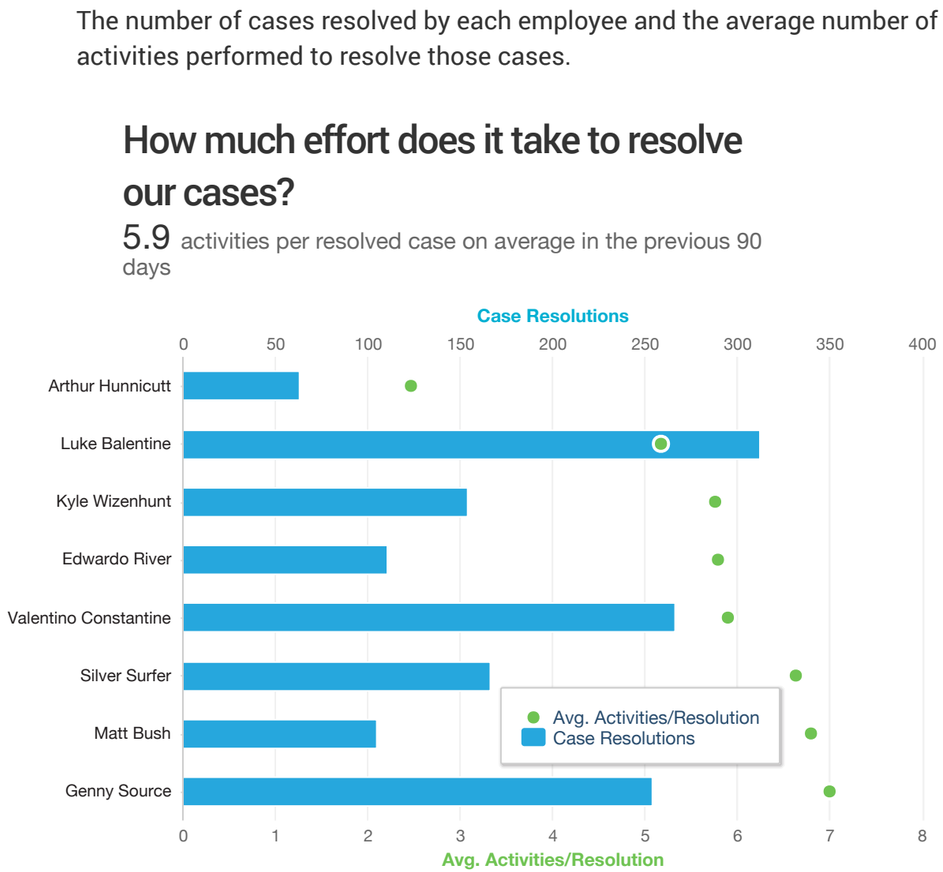


Figure 3

Luke has resolved the most cases in the past 90 days, while Arthur has resolved the fewest. Everyone on the team performed 5-7 activities (on average) to resolve a case, except for Arthur, who performed 2-3 activities before resolving a case.

Questions to Ask

- Which reps have resolved the most (or fewest) cases?
- Which reps should be resolving more cases?
- How much effort does it take each rep to resolve a case?
- Which reps are the most efficient?

Takeaways

If you're going to assess the individual effectiveness of your reps, you need to analyze case resolutions. You should compare the number of cases resolved to the average number of activities (or touches) per resolution. This will allow you to track the performance and understand the style of each rep.

Once you know which reps are able to resolve cases most efficiently, you should find out what strategies are working well for them. They may have some insights that you can share with your team to boost overall efficiency. You should also identify which reps are resolving cases less efficiently, meaning they have a high number of activities/resolution. Ask them what they are struggling with and see if there's anything you can do to help. You may even want to have your best rep(s) spend some time coaching these underperforming reps to get them up to speed.

In Figure 3, Arthur is a clear anomaly. He has the fewest case resolutions and the fewest activities per resolution. This means that he is resolving the fewest cases, but he's resolving those cases most efficiently. At the surface level, only considering the number of resolutions, it appears that Arthur is straggling. But his low number of activities per resolution tell a different story. In reality, he is resolving cases very efficiently, and he probably has some tips for Genny (and others) to help her resolve cases in fewer touches.

Time to Resolution By Employee

Definition

The average amount of time (measured in days) it takes to resolve a case, broken down by employee and segmented by stage.

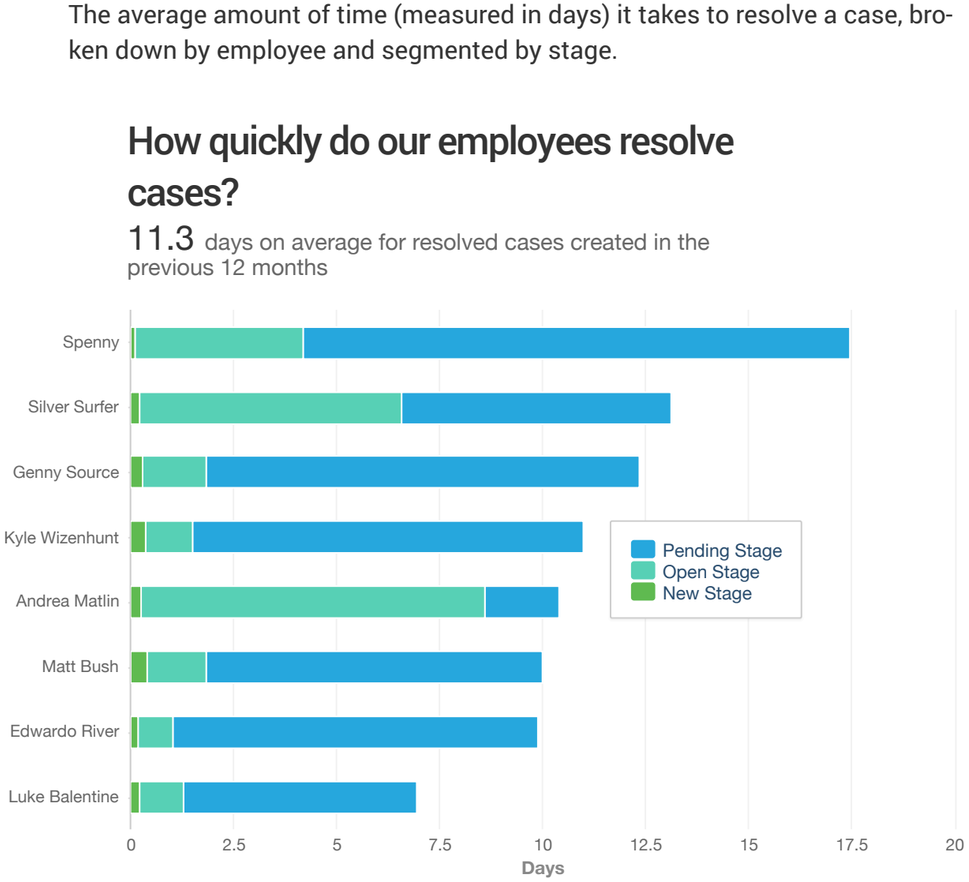


Figure 4

In the past year, it took Spenny over 17 days to resolve a case – longer than anyone else on the team. Luke was able to resolve cases most quickly, in just 7 days. Everyone else on the team resolved cases in 10-13 days.

Questions to Ask

- How long does it take each rep to close a case?
- Who is closing cases the fastest?
- In what stages are cases spending the most time?

Takeaways

Looking at time to resolution by employee will show you *exactly* how long it takes each rep to bring cases to resolution on average. Knowing this will help you gauge the efficiency of each member of your team.

You will probably notice that some reps are resolving cases more quickly than others. But *how* are they doing it? Find out what they are doing differently than other reps. Relay these strategies to the rest of your team, especially reps who take longer to resolve cases.

Be sure to consider the amount of time cases spend in each stage. This is insightful because it tells a more complete story. Are some reps waiting longer than others for customers to respond to them? Maybe they could brush up on their email skills and provide clearer instructions to customers.

In Figure 4, it's clear that it takes Spenny significantly longer to resolve cases than everyone else. This is a sign that he could be spending his time more efficiently. Luke, on the other hand, has been able to resolve cases much faster than the average rep. He could probably offer some advice to the rest of the team (especially Spenny) on how to resolve cases quickly.

First Response By Employee

Definition

The average amount of time (measured in hours) it takes each employee to respond to a case after it's submitted by a customer.

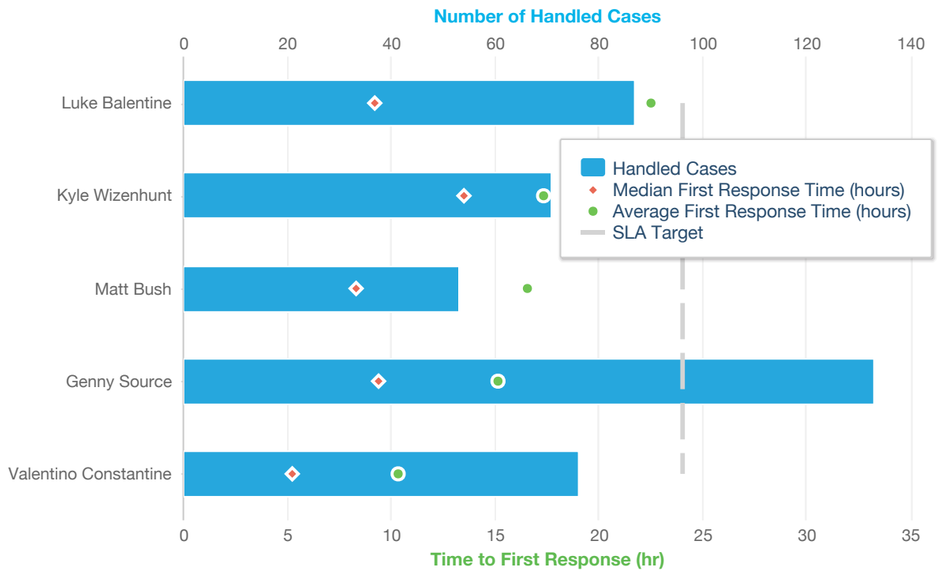


Figure 5

In the past month, it took Luke longer (on average) than anyone else to respond to new cases – over 20 hours. Valentino responded to new cases faster than anyone else – just over 10 hours. Kyle, Matt, and Genny all responded to new cases in 15-17 hours.

Questions to Ask

- Which reps are good at responding to customers quickly?
- Which reps need to work towards responding to customers more quickly?
- Are all of your team members hitting your SLA?
- Are reps with higher case volumes responding faster (or slower) than other reps?

Takeaways

First response time is a common SLA metric. You need to make sure everyone on your team is hitting your SLA, or it could cost you business. People don't like to wait, so don't make them. Shorter wait times lead to happier customers, making first response time an effective proxy for customer satisfaction.

If anyone on your team is consistently missing your SLA, this needs to be addressed. Find out why they are having trouble responding to new cases and create a plan to resolve the problem. Ask the reps with the shortest first response times how they make it look so easy. This will give you ideas of how other members of your team can increase their efficiency and hit your SLA.

Looking at the median first response time can be useful because it isn't skewed by anomalous cases, like the average (mean).

Figure 5 shows that Luke's average first response time (23 hours) is pretty close to the SLA target (24 hours). However, his median first response time (9 hours) is half the length of the average. This suggests that there were a few instances where he had a long first response time, which is affecting the average. In this case, you would want to identify the exact cases where the SLA was missed and find ways to prevent this from happening again in the future.

Backlog By Employee

Definition

The number of cases opened and the number of cases closed, broken down by employee.

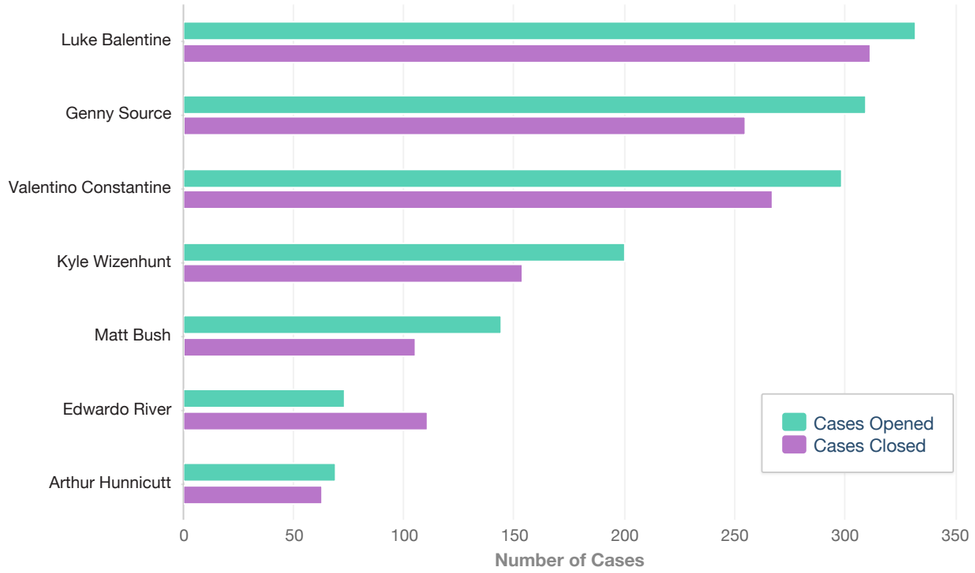


Figure 6

In the last 90 days, all of the reps opened more cases than they closed, except for Edwardo. Luke, Genny, and Valentino opened far more cases than the rest of the team. Edwardo and Arthur opened the fewest.

Questions to Ask

- How is the workload distributed?
- Is each rep closing all of the cases they grab?
- Is anyone avoiding new cases to work through their personal backlog?
- Is anyone cherry-picking to inflate their numbers?

Takeaways

The best way to see if individual reps are overwhelmed by their workoload is to look at each rep's backlog. This will show you how many cases each rep has opened compared to how many they've closed in a given period of time. In an ideal world, your reps should be closing the same amount of cases as they are opening so the backlog doesn't pile up. You never want to see reps have far more open cases than closed cases. On the flip side, watch out for reps who have more closed cases than open – this suggests that they are cherry-picking to inflate their numbers.

If some reps have significantly more open cases than closed cases in recent history, they may need some help managing their workload. Talk to them about their current workflows and try to identify opportunities to streamline their processes. If many or all of your reps have far more open cases than closed, this is a red flag. It's a sign that hiring is overdue – hire more reps to help your team manage the backlog in a timely fashion before they cases pile up.

Figure 6 shows how backlog varies by team member. Edwardo is the only one on the team with more closed cases than opens, but that's not necessarily a good thing – he might be cherry-picking. The rest of the team had more open cases than closed, meaning that the backlog is piling up. Given his ratio of closed : open cases and high case volume, Luke appears to be managing his workload well. He probably has tips that could benefit the rest of the team.

Chapter 2

Team Efficiency

Summary

Customer service is a team sport. In order to retain customers and resolve their problems quickly and effectively, you need to work together. It's critical to make sure that everyone is on the same page and your goals are aligned.

As a customer service manager, you are responsible for making your team more efficient. This involves identifying weaknesses and actively striving to improve them. But how can you find out what your team could be doing better?

Tracking the right customer service metrics will allow you to pinpoint areas where you are struggling as a team. Once you know *exactly* what's slowing you down, it's up to you to rev the engine and speed things up. This could require a minor fix, like adding a question to your public knowledge base, or a major change, like implementing live chat.

In this chapter, we'll review the following metrics:

- Service Activities Over Time
- Open Cases Over Time
- First Response Time Over Time
- Time to Resolution Over Time
- Time to Resolution By Handle Time
- First Contact Resolution Rate Over Time
- Submissions Over Time
- Submissions By Time Period
- Backlog Inflow/Outflow

Tracking these metrics will help you answer the following questions:

- Do we need to hire more reps?
- Should we update our schedule or staffing model?
- Is our knowledge base effective?
- Is our product becoming more complex?
- What is our limiting factor to closing more tickets?
- How are we paying down the backlog?

Service Activities Over Time

Definition

The number of activities performed by your team, segmented by activity type.

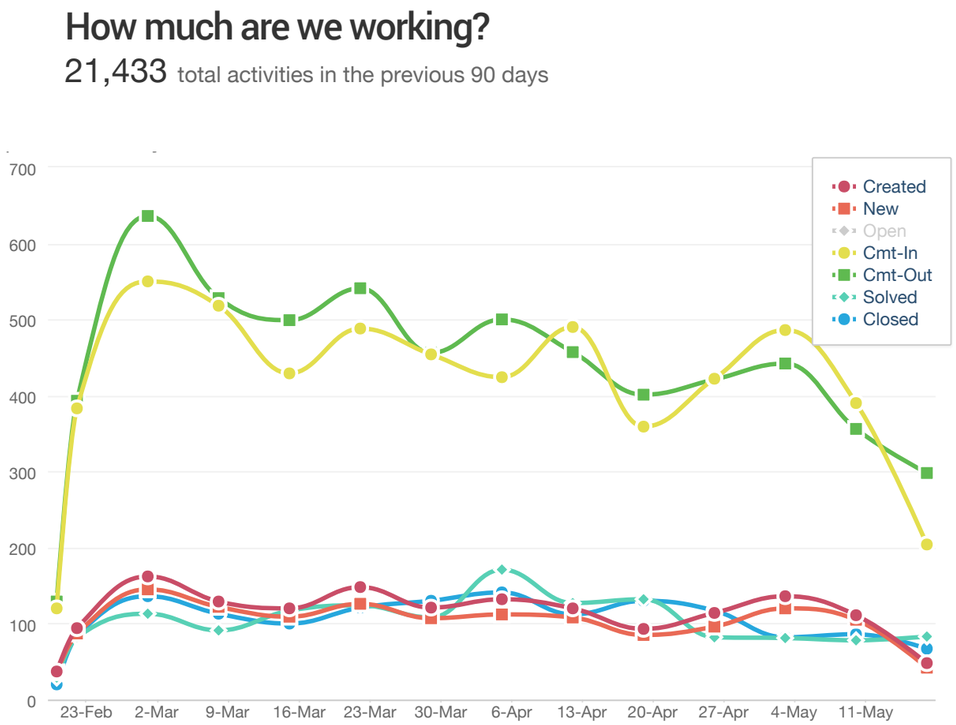


Figure 7

There was a slight decline in overall activities in the past 90 days. This trend is especially visible in comments-in (Cmt-In) and comments-out (Cmt-Out). Created, new, solved, and closed cases were more consistent during this time.

Questions to Ask

- How much work is your team doing?
- Is your team working more (or less) over time?
- Which activities are performed most frequently?
- Does the amount of work your team is doing align with the number of cases you're closing?

Takeaways

At the most basic level, tracking service activities will help you quantify how much work your team is doing. When segmented by activity type, you can see which activities occur most frequently. The number of activities performed should align with the number of cases resolved, more or less. Spikes in service activities represent times when your team was handling more – or more complex – cases than usual. Troughs represent times when your team was handling fewer – or less complex – cases.

An increase in service activities means that your team is doing more work, and likely closing more cases as a result. But a decrease in activities isn't necessarily a bad thing. For example, if you launch a public knowledge base and it helps customers resolve their problems without ever contacting you, then you'd be performing fewer activities while becoming more efficient as a team.

The relationship between activities can be insightful. Look at activity ratios over time to dig a little deeper and uncover hidden trends.

In Figure 7, the number of activities declines over time. This means that the team is doing less work over time. Remember, that's not always a bad thing. In reality, it could actually mean that the team is becoming more efficient.

Resolutions Over Time

Definition

The number of cases that have been resolved by your team.

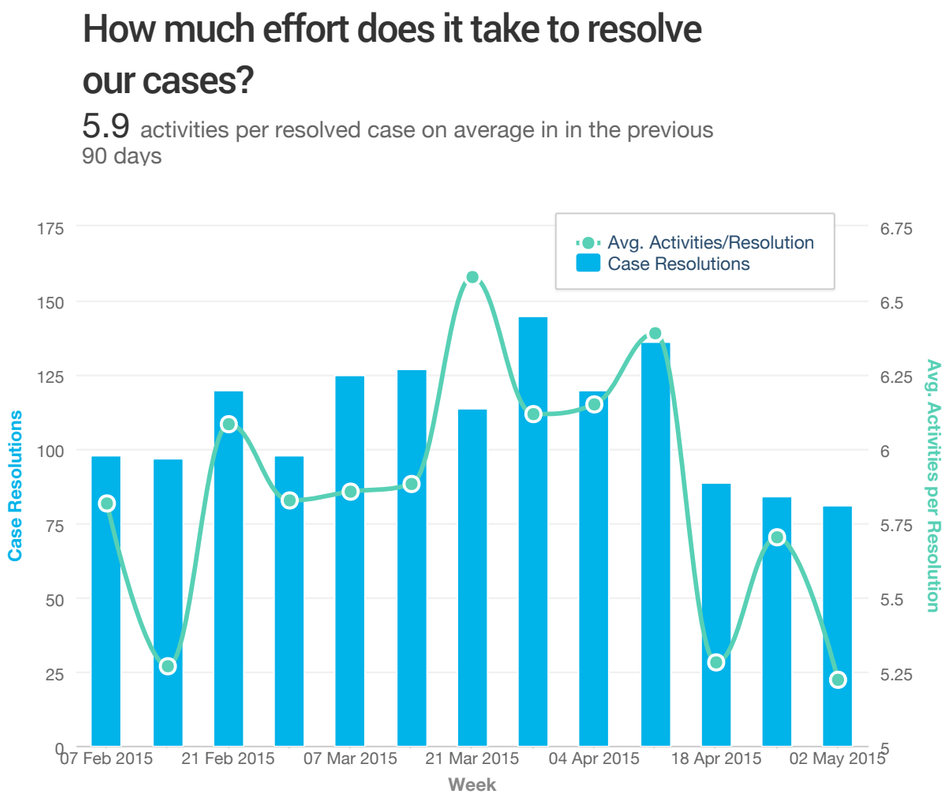


Figure 8

In the past 90 days, the number of cases resolved varied significantly. The fewest cases resolved in a week was 80 in early May, while the most was 145 in late March. The fewest average activities per resolution was 5.25 in early May, while the most was 6.5 in mid-March.

Questions to Ask

- How many cases did your team resolve in the past quarter?
- Is your team resolving more cases over time?
- How many times does your team communicate with customers before resolving their cases?
- Does your team resolve more cases when there are fewer activities/case?

Takeaways

Keeping tabs on how many cases your team is resolving will help you track efficiency over time. Reps can't control the number of cases submitted, but they can control the amount time and effort it takes to resolve them. Ideally, as your reps acquire more product knowledge and refine their workflows, they should resolve cases more efficiently over time. In other words, their activities per resolution should decline in the long run.

Your resolutions over time will likely fluctuate bases on the ebb and flow of case submissions related to product updates and seasonality. But watch out for periods with a low number of resolutions and high number of activities per resolution. This is a sign that your reps are dealing with complex cases that require lots of communication with customers, meaning your customers are probably investing more energy than they'd like to.

Figure 8 shows how resolutions and activities per resolution can vary significantly over time. Here, it looks like there was a general increase in both resolutions and activities per resolution from early March to mid-April. This could be the result of an influx of case submissions. From late April to early May, the number of resolutions and activities per resolution shifted back to the norm.

Time to Resolution Over Time

Definition

The average amount of time (measured in days) it takes your team to resolve a case, segmented by stage.

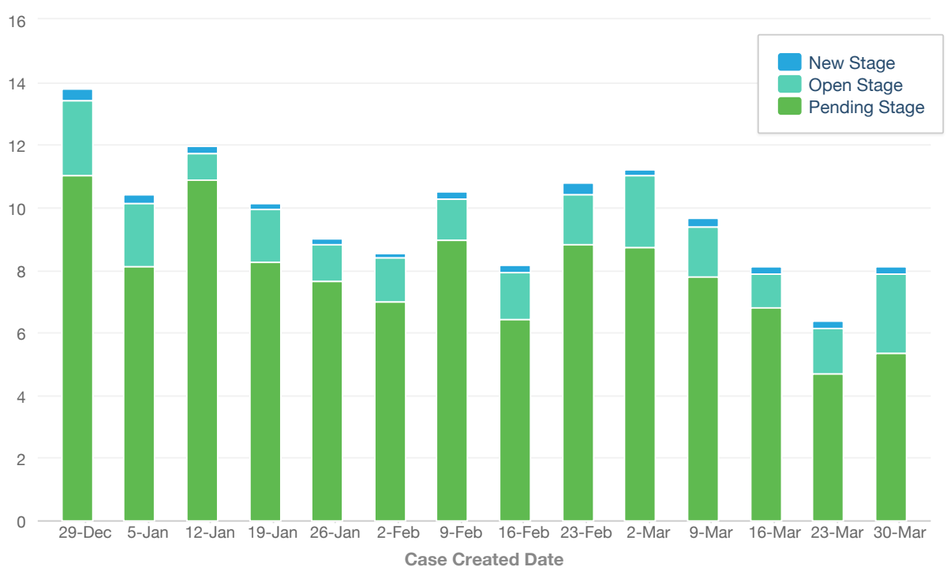


Figure 9

The amount of time it took to resolve a case decreased dramatically last quarter. In late December, time to resolution was nearly 14 days. By the end of March, time to resolution was cut down to only 8 days.

Questions to Ask

- How long does it take your team to close a case?
- Is your team closing cases more quickly over time?
- In which stage are cases spending the most time?

Takeaways

Time to resolution is yet another reflection of customer service efficiency. It shows *exactly* how long it takes (on average) to resolve a case from start to finish. In a perfect world, your team will be able to resolve cases more quickly over time. After all, time is your most valuable resource, so it's important to make sure you're using it wisely.

For the most part, you should always strive to lower your time to resolution. But if your time to resolution is really low, it may not be worth trying decrease it even further. For example, cutting down your time to resolution from 1.5 days to 1.2 days takes a TON of effort and may not be worth the investment.

In the long run, a gradual, steady decline of your time to resolution is ideal. In the short-term, it's expected that your time to resolution will vary. But if your time to resolution is increasing in the long run, that's a red flag. You need to figure out why this is happening. It could be that your product is becoming too complex, and your reps can't keep up with product updates. Or maybe your reps are opening more cases than they can handle in a timely fashion. Either way, this inefficiency should be addressed.

In Figure 9, there's a clear decrease in time to resolution in the last quarter. This trend represents a dramatic increase in efficiency. In late December it took over 12 days to resolve a case. By the end of March, time to resolution was only 8 days – talk about an improvement.

Time to Resolution By Handle Time

Definition

The average amount of time (measured in minutes) spent working on a case before reaching resolution.

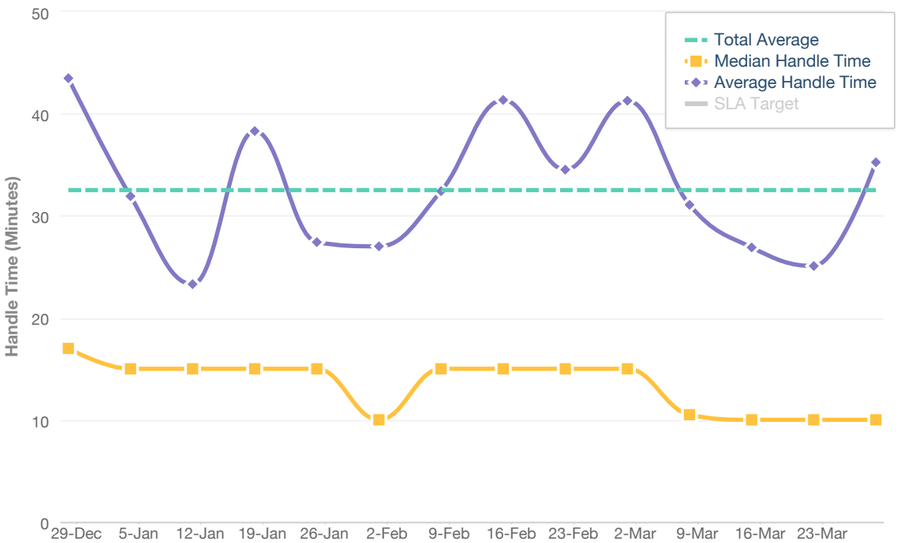


Figure 10

Over the last quarter, the average handle time fluctuated, peaking over 40 minutes several times. The median, however, decreased gradually over these three months from 17 minutes to 10 minutes.

Questions to Ask

- How many person-hours does it take to close a case, on average?
- Are your reps spending more time working cases, in recent history?
- Is your average handle time skewed by anomalous cases?
- Which cases should your team be resolving more efficiently?

Takeaways

In the world of customer service, time is of the essence. As a customer service manager, you should know exactly how much time your reps spend working on cases in order to resolve them. Handle time tells you just that. It's a great measure of your team's efficiency because it doesn't factor in time waiting for customers to respond. The one downside of handle time is that most time tracking relies on human entry, slightly hindering its accuracy.

It's critical that your team handles cases in a timely fashion. If your average handle time is decreasing over time, it means that your team is becoming more efficient. But if your handle time is increasing over time, then your team is becoming less efficient, and you need to find out why. Talk to your reps and find out what's slowing them down. Identify the source of the issue and create a plan to get things back up to speed.

Figure 10 shows how average handle time can be skewed, while median handle time isn't impacted by anomalies. Average handle time varies significantly, while the median remains fairly steady. In this chart, the average shows that handle time varies drastically, likely because of anomalous cases. On the contrary, the median suggests that the team is handling cases more efficiently over time – exactly what you'd hope to see.

First Response Over Time

Definition

The average amount of time (measured in hours) it takes your team to respond to a case after it's submitted by a customer.

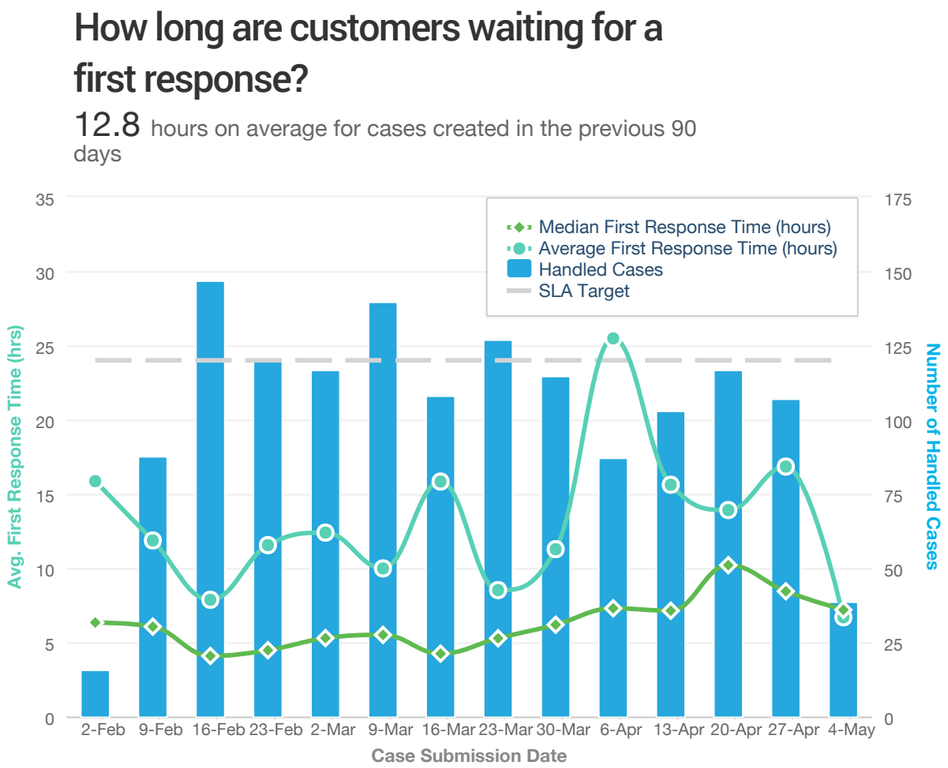


Figure 11

Average first response time varied significantly in the 90 days. It was highest in early April at 25 hours, and lowest in mid-February at just 8 hours. The median first response time was more stable – as it tends to be – but it did increase slightly over this period of time.

Questions to Ask

- How long does it take your team to respond to customers?
- Do customers have to wait a long time to hear back from you?
- Are you hitting your SLA?
- Should you be responding to customers faster?

Takeaways

When customers reach out to your service team, they don't want to wait around to hear back from you – they want to talk to you ASAP. The faster you respond to customers, the better their overall experience will be. If you don't reply to them for a few days, you're implying that they're just not that important to you. You need to make sure your team is responding to customers quickly and hitting your SLA. Tracking your first response time will help make this happen.

A low first response time means that your team is getting back to customers quickly. It shows customers that you appreciate their business and value their time. One way to lower your first response time is updating your team's workflow to ensure new cases are addressed in a timely manner. But in some cases, you may even need to hire another person to help manage the front lines and respond to new cases more quickly.

In Figure 11, both the average first response time and median first response time were well below the SLA target most of the time. But in early April, the average first response time was above the SLA target. It's likely that the SLA was badly missed multiple times during this time period. However, it looks like the team realized this and made an effort to respond to new cases more quickly going forward.

First Contact Resolution Over Time

Definition

The percentage of cases your team resolved in one response to a customer.

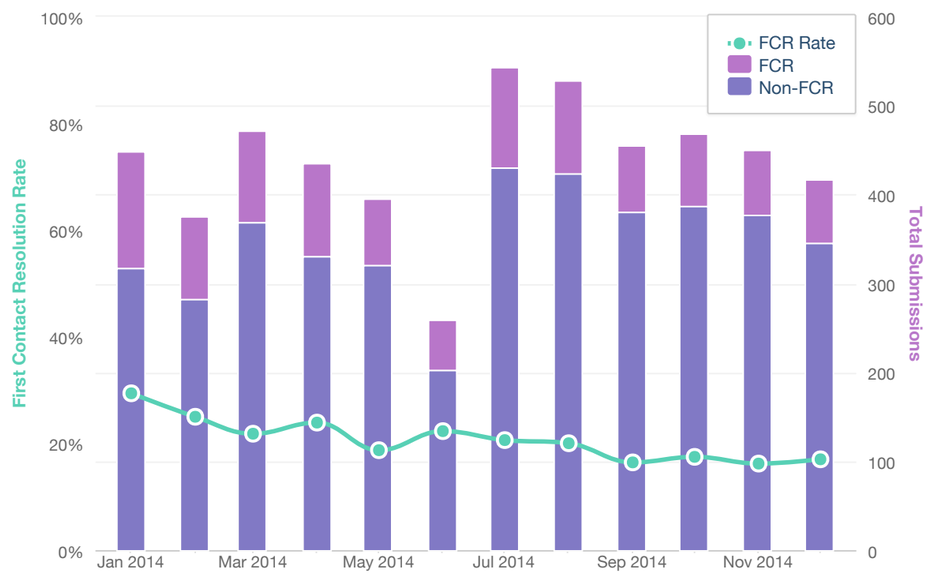


Figure 12

In the last year, first contact resolution rate declined gradually. In January, first contact resolution rate was 29%, but a year later it was only 17%.

Questions to Ask

- How often does your team resolve customers' problems in one response?
- Is your team becoming more efficient at handling cases over time?
- Are your customers experiencing a lot of complex issues?
- How effective are your canned responses?

Takeaways

Tracking your first contact resolution rate (FCR) over time will show you exactly what portion of cases you are able to resolve in one touch. It's safe to assume that customers who had their problems resolved in one touch had a pretty painless customer experience. FCR gives you a good sense of how efficiently you are handling simple problems.

If your first contact resolution rate is increasing over time, it's a sign that your customer experience is improving. But if your FCR is really high, then maybe some cases don't need to be opened in the first place. Instead, customers may be able to self-service some of their problems with a public knowledge base.

A low FCR means that your team is struggling to resolve problems in one touch. That could be okay, if your team has an awesome public knowledge base that provides clear answers to FAQs. However, chances are, your team could be doing a better job of answering questions in one touch. This improvement could be made by updating or adding canned responses, for example.

Figure 12 shows a steady decline in first contact resolution rate over the last calendar year. This is a sign that the team could be becoming last efficient, but it depends entirely on why your FCR is decreasing. In this case, you would want to conduct a root-cause analysis and see if there's a way to increase efficiency.

Submissions Over Time

Definition

The number of new cases submitted by customers, segmented by channel.

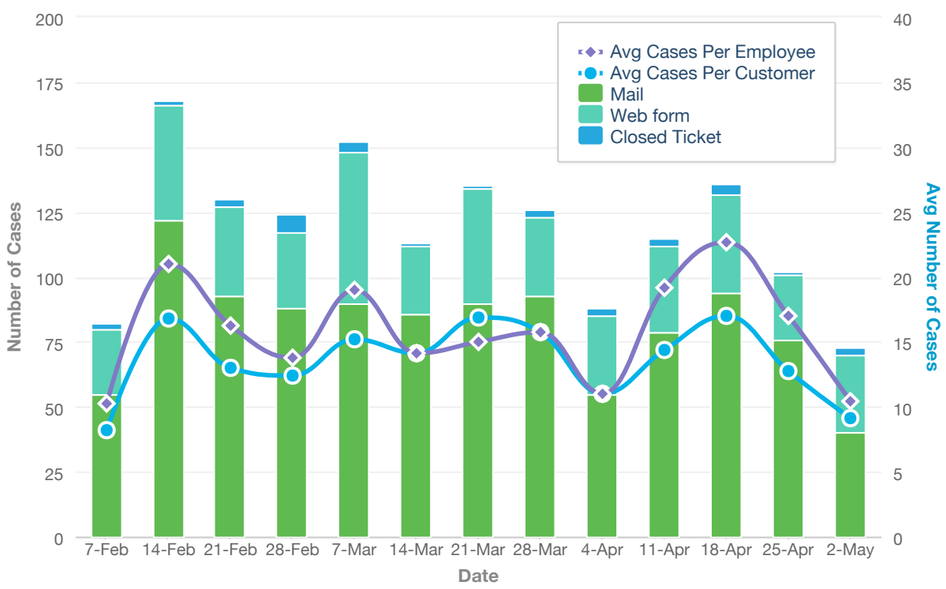


Figure 13

Submissions varied significantly in the past 90 days, but decreased overall. In general, there were more cases per employee than cases per customer. There weren't any significant trends apparent in the channel mix.

Questions to Ask

- Do you have enough reps on your team? Or is it time to hire?
- Are customers submitting more cases over time?
- What channels are customers using to submit cases?
- How does the numbers of cases submitted by each customer compare to the number of cases handled by each employee?

Takeaways

Knowing how many new cases are submitted will help you gauge how much work your team has to do. By segmenting case submissions by channel, you can find out how customers like to communicate with you. This is important because it helps you understand which channels you should prioritize.

The average number of submissions per customer tells you if case growth is driven by business growth or product complexity. And the average number of submissions per employee tells you how many new cases each of your reps is responsible for handling. These two trends should correlate.

A decrease in submissions over time is usually a good thing – it means your team has fewer cases to handle. An increase in submissions means you have more work to do. Keep a close eye on the average number of activities per employee. If your reps have more cases than they can handle, it's probably time to hire and build out your team. This will allow your team to resolve more cases and become more efficient, while maintaining – or even improving – quality.

In Figure 13, case submissions decreased rapidly from mid April to early May. This means that customers submitted fewer and fewer cases. Normally, that's a good thing! Often, it either means that your product is working better than ever or that your customers are having problems they can resolve on their own. But sometimes, it means that customers stopped bothering to ask questions – or worse, stopped using your product altogether.

Submissions By Time Period

Definition

The number of new cases submitted by customers, broken down by period of time and segmented by channel.

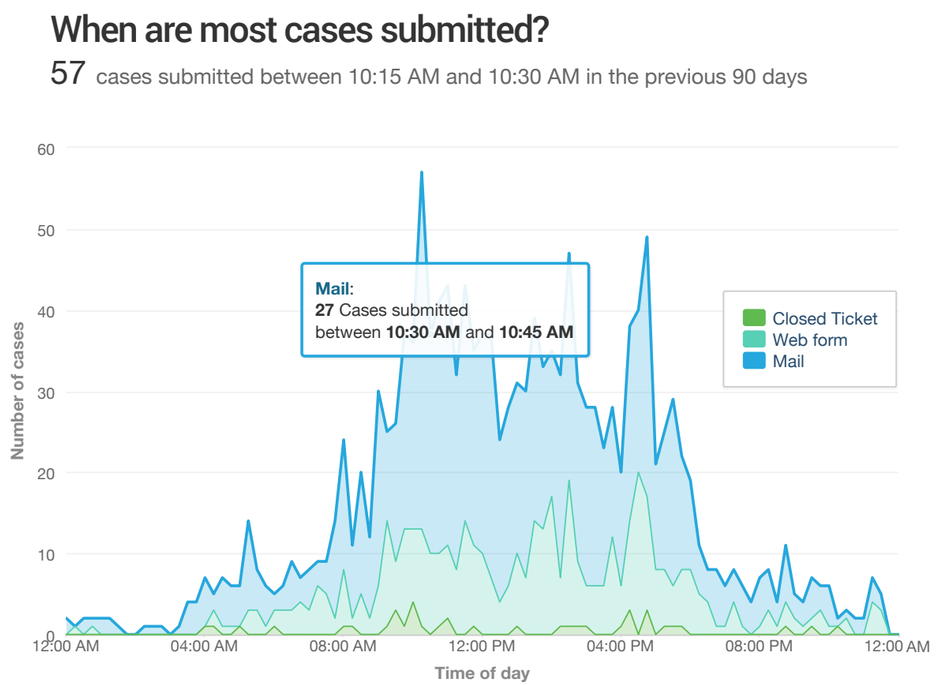


Figure 14

In the last 30 days, the majority of cases were submitted 8 AM and 6 PM. Very few cases were submitted between 8 PM and 4 AM during this month.

Questions to Ask

- How many cases are submitted on weekends compared to weekdays?
- During which hours are the most cases submitted each week?
- Does the case submission volume during non-business hours justify a schedule adjustment?
- Should you update your staffing and shift rotations to be prepare for demand?

Takeaways

It's unlikely that your team receives the same number of cases each day of the week. And chances are, your cases submissions aren't evenly distributed throughout each day. Instead, the number of cases your team receives fluctuates over time. By tracking the time of submissions and channels, you will know exactly when to expect higher volumes, allowing you to plan accordingly.

You may want to consider changing your team's shift schedule if you discover significant variations in case submission rates by time period. For example, let's say your company is based on the East Coast, but most of your clients are on the West Coast, and because of this, most of your cases are submitted from 12 PM to 8 PM Monday-Friday. In this scenario, it might be worthwhile to push your team's hours back to match up with the periods of high submission rates.

Figure 14 shows a typical chart of submissions over the course of a day. Most customer service teams receive the highest submission volume during business hours, as shown here. During non-business hours, very few cases are submitted – however, that isn't the case for every service team.

Backlog Inflow/Outflow

Definition

The number of cases submitted compared to the number of cases closed.

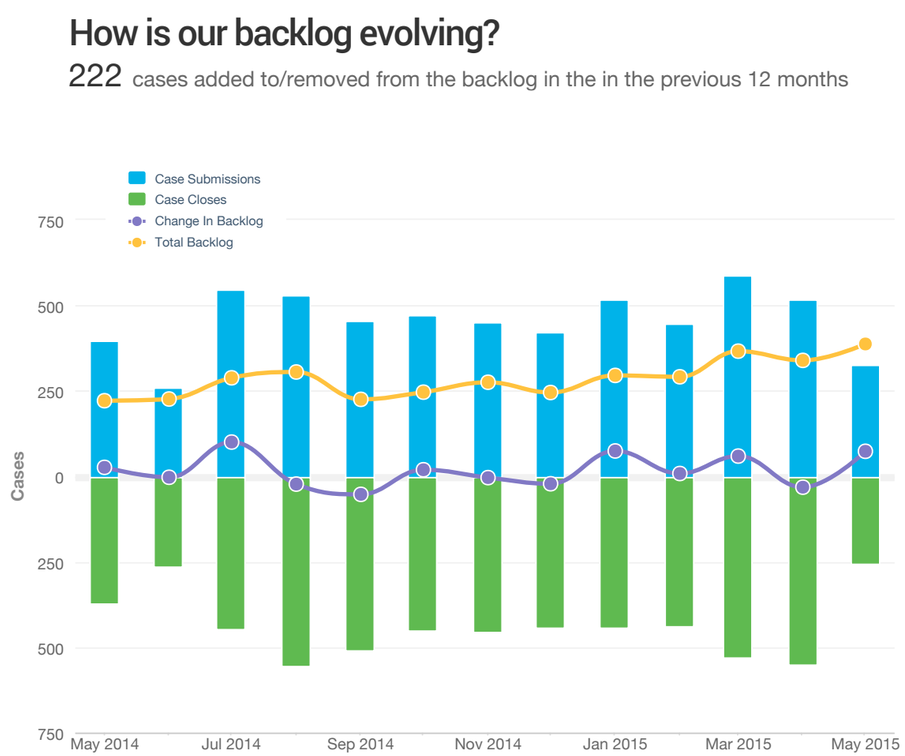


Figure 15

Despite minor fluctuations, the total backlog increased gradually over the course of a year. In May 2014, the total backlog was just under 250 cases, but by May 2015, the backlog had grown to 370. The change in backlog fluctuates as well, but it doesn't increase or decrease significantly.

Questions to Ask

- How is your backlog evolving? Is it growing or shrinking?
- Are you closing enough cases each month to stay on top of inflow?
- Has your rate of resolutions per day been improving throughout the year?
- Do you need to hire new reps to make your backlog more manageable?

Takeaways

Looking at the inflow/outflow of your backlog will show you how efficiently your team is handling open cases over time. In a perfect world, your reps will resolve the same number of (or more) cases than the number of cases being submitted. So ideally, the change in backlog should be close to zero, or below it, while your total backlog remains steady or declines. You don't want your backlog to grow.

If your change in backlog is consistently well above zero, this means that your backlog is piling up and your team is overwhelmed. In this case, you need to take action to mitigate the situation. The most effective solution to this problem is to hire more reps to take the load off of the reps who are currently swamped. Without the resources to hire more reps, your best bet is to analyze your workflows and brainstorm creative ways to shrink your backlog.

A growing backlog is dangerous. It's a whole second queue of work that's not factored into the team's model. And it represents problems that go unresolved, leaving customers unhappy. It's critical to manage your backlog proactively rather than reactively. You never want your backlog to get out of control – nip it in the bud before it's too late.

Figure 15 shows an example of a growing backlog. In just one year, the total backlog grew by nearly 50%. In this case, something should be done to help manage the backlog more effectively. This data makes a great case that it's time to bring another rep on board so the team can resolve more open cases.

Chapter 3

Churn Prevention

Summary

The ultimate goal of each customer service team is to retain customers. Most businesses depend heavily on customer retention in order to succeed and cannot function sustainably without a customer service team. After all, bad customer experience is the number one reason for churn.

To get a better understanding of the customer experience, many service teams survey their customers. It's important to ask customers the right questions, depending on what you're trying to measure.

The vast majority of companies (especially SaaS and SMB companies) keep a close eye on their churn rate, as do their investors. So how can you prevent customers from leaving your business?

By tracking the right metrics, you can get a deep understanding of the customer experience. This will help you gauge which customers are happy with your service and which ones are at risk of churning. Once you have these insights, you can work towards improving the overall customer experience and check in with specific customers who may be tempted to leave your business.

In this chapter, we'll review the following metrics:

- Open Cases By Created Date
- Account Summary
- Churn Rate
- Customer Satisfaction (CSAT)
- Net Promoter® Score (NPS)
- Customer Effort Score (CES)

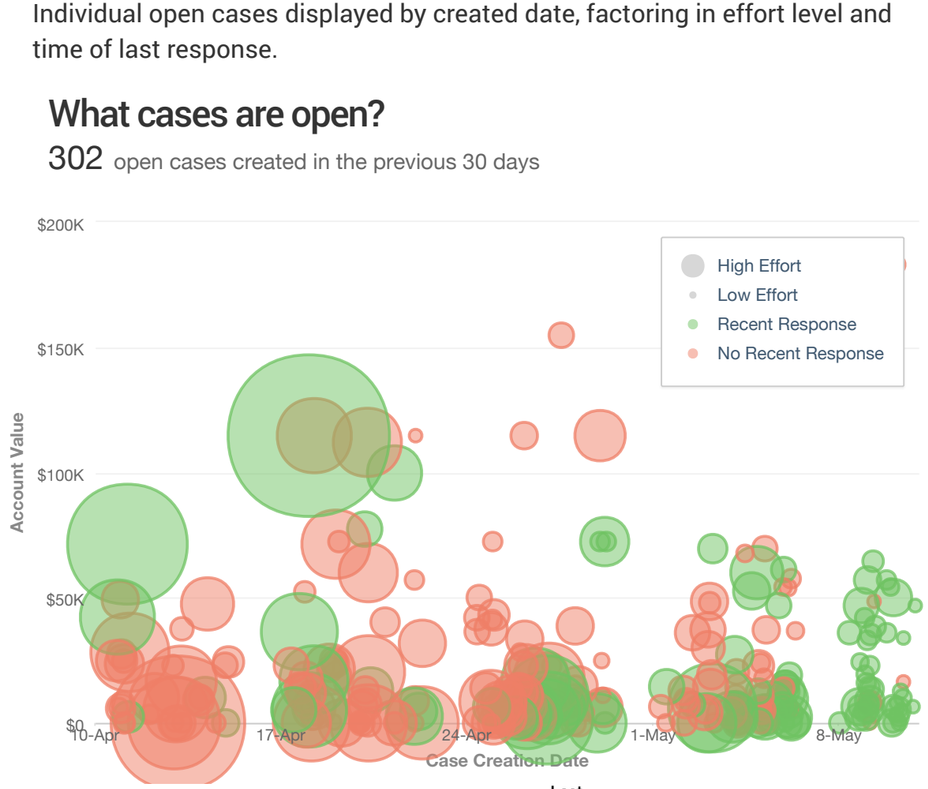
Tracking these metrics will help you answer the following questions:

- Which high-value customers have open cases that haven't been responded to recently?
- Which customers are churn risks?
- Are customers happy with your service?
- Are customers likely to promote your business?
- Is it easy for customers to have their problems resolved?
- How can you retain more customers and turn them into promoters?

Open Cases By Created Date

Definition

Individual open cases displayed by created date, factoring in effort level and time of last response.



Account	Account Value	Status	Owner	Last Response Date	MRR	Renewal Date	Pageviews (90D)
Diana Shipping	$12,600	Open	Kyle Wizenhunt	05/10/2015	$1,050	26 Apr 2016	410
ExamWorks Group	$0	Open	Matt Bush	05/10/2015			66
The Travelers	$2,376	Pending	Luke Balentine	05/10/2015	$198	14 Apr 2016	524

Figure 16

Most cases created in the last week or two have been responded to, but there are many cases older than three weeks without recent responses. There is a wide range of effort levels of these open cases, but the majority are low effort.

Questions to Ask

- Which of your open cases have the highest associated account values?
- Which cases should we prioritize?
- How much effort has been put into cases created in the past week from accounts worth more than $10,000?

Takeaways

Few people will admit this publicly, but **not all customers are created equal**. If your highest-paying customer churns, it could be a huge setback for your business. But if your lowest-paying, most-confused customer churns, it may free up a considerable amount of time. That's why it's important to consider account value and prioritize some cases over others.

Cases submitted by customers with high account values that haven't been responded to recently (in the upper left quadrant) are most urgent. These should be prioritized over open cases submitted by customers with low account values that have been responsed to recently (in the lower right quadrant).

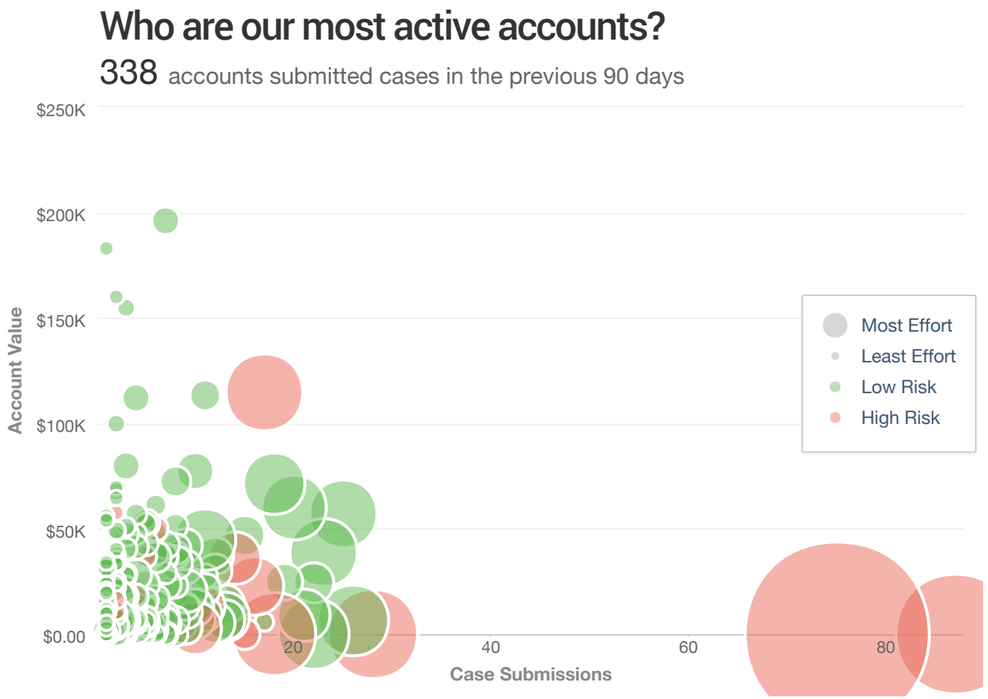
Referring to the data table while analyzing the chart can provide deeper insights and give you a better contextual understanding of churn risks.

In Figure 16, there are a bunch of open cases with relatively high account values that haven't been responded to recently. These big red circles should be addressed before the small green circles. Prioritizing these cases will help retain high-value customers and reduce churn in the long run.

Account Summary

Definition

Accounts displayed by number of case submissions and account value to show which clients are at risk.



Risk	Client	Case Submissions	Resolution Rate	Time to Resolution	Reopen Rate	First Response Time (Hrs)	Active Users	Pageviews (90D)	Total Value	Opp Value
	LivePerson	87	90%	5.4	6.4%	28.5	37	5,834	$0	$10,000
	Unknown	75	73%	11.5	5.5%	11.7			$0	$0
	Abbott Laboratories	28	82%	19.1	0%	37.4	83	18,912	$0	$0
	General Electric	26	81%	16.0	4.8%	11.5	10	5,190	$6,472	$5,783
	Ford Motor	25	80%	16.1	5.0%	7.8	44	3,715	$57,059	$19,557

Figure 17

In the past 90 days, two accounts have submitted around 80 cases, but they have low account values. There's another account that has submitted nearly 20 cases, and it has a relatively high account value.

Questions to Ask

- Who are your most active accounts?
- Which accounts are likely to churn based on a poor service experience?
- Which accounts are unprofitable/taking advantage of your team?
- How does your quality of service vary across your customer base?

Takeaways

This visualization alerts you to accounts that need attention, by considering how active your accounts are and which ones are at risk of churning. It gives you a sense of which cases should be prioritized.

If a high-value account is at risk of churning, it's absolutely critical that you do something about it. You don't ever want to lose one of your highest-paying customers. On the other hand, there are some customers that you may actually want to churn. That's right – **sometimes it's okay to fire a customer**. If a low-paying customers is submitting tons of cases and costing your service team a lot of time, then they may not be worth retaining. When their renewal date is up, you may want to consider letting them go or upselling them on a higher SLA.

In Figure 17, there are two clear anomalies in the lower right quadrant. These big red circles represent low-value customers that submitted more than twice as many cases as other accounts. These customers are probably not worth retaining, unless they have some sort of strategic value to your business. Letting them go would free up an enormous amount of time, without costing you much.

Churn Rate

Definition

The percentage of customers, or total number of customers, that have stopped doing business with you.

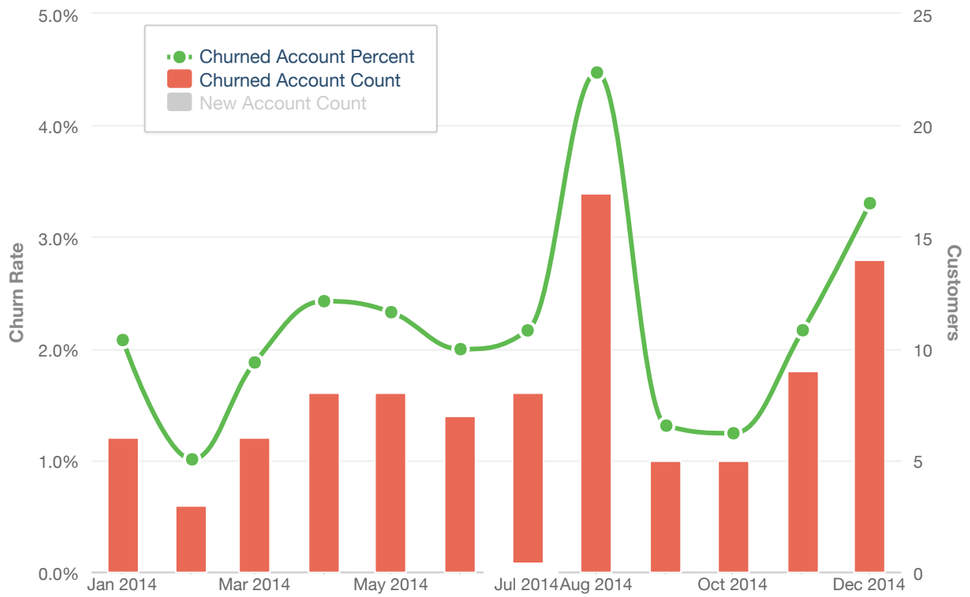


Figure 18

Churn rate varied dramatically over the last year. It was highest in August at 4.5%, and lowest in February at 1%.

Questions to Ask

- How many customers have stopped doing business with you?
- What percentage of customers have stopped doing business with you?
- Do you need to retain more customers to hit your revenue growth goals?
- How many customers did you lose last quarter?

Takeaways

This key SaaS metric gives a retrospective look at the big-picture performance of your service team. Customer service isn't responsible for retaining every single customer – some will churn for reasons out of your control – but it is directly tied to the fluctuations in your churn rate. In other words, your customer service team is largely responsible for retaining customers or losing them.

Ideally, your churn rate will decrease over time. This translates to an improvement in the performance of your service team overall. It means you are making customers happy, and because of that, they continue to do business with you. But if your churn rate is increasing over time, there's room for improvement. It's up to you to increase customer loyalty in the long run.

Figure 18 shows how churn rate can vary significantly over time. Churn rate was highest in August, when it was nearly 5%. Why did so many customers churn this month? Conducting a root-cause analysis can help you find out why the churn rate was through the roof. Revealing the reason(s) responsible for the high churn rate will help discover ways to provide better service and retain more customers going forward.

Customer Satisfaction Score

Definition

A measure of how satisfied your customers are with your service, expressed as a percentage.

Figure 19

Over the past year, customer satisfaction score fluctuated between 60% and 100%. In some months, namely May 2014, October, November, and February, most customers were *very* satisfied with their service experience. But in other months, namely June, January, April, and May 2015, customers were not quite as satisfied with their service.

Questions to Ask

- Are customers satisfied with your service?
- Which customers are most (or least) satisfied with your service?
- Should you be making an effort to improve customer satisfaction?
- How effective is your team?

Takeaways

Customer satisfaction (CSAT) score is usually calculated by surveying customers after each interaction on how satisfied they are with your service (on a scale of 1-5 or 1-10). These scores are then tallied up, divided by the sample size, and expressed as a percentage.

CSAT is a good way to quantify the short-term customer experience. It gives you a solid understanding of how customers feel about the resolutions your team has provided. If you have a high CSAT, your service team is effectively resolving issues. But if you have a low CSAT, customers feel that their issues haven't been resolved. That's a sign that your team needs to step up its game.

In Figure 19, CSAT varied from month to month over the course of a year. In some months, customer satisfaction was nearly 100%, meaning most of the customers you interacted with during these months were *very* satisfied with their service experience. But the CSAT wasn't consistently high throughout the year. There were some months where it was close to 60%, meaning that there were far fewer customers who were very satisfied. Looking at other metrics (like FCR and first response time) and reading feedback from customers can reveal ways to improve CSAT.

Net Promoter® Score

Definition

A measure of how likely your customers are to recommend your business to a friend or colleague, expressed as a percentage.

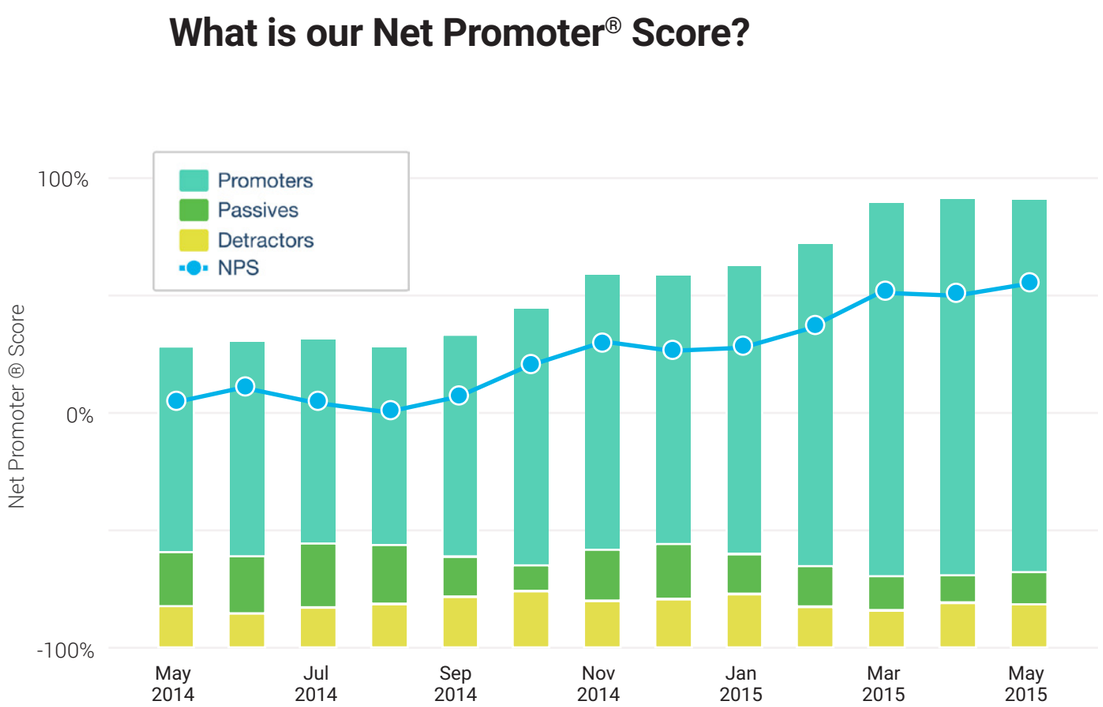


Figure 20

Over the course over a year, NPS increased substantially. In May 2014, the NPS was 5%, meaning there were slightly more promoters than detractors. However, by May 2015, the NPS was up to 55%, meaning that there were far more promoters than detractors.

Questions to Ask

- How likely are your customers to recommend your business to others?
- Are your customers likely to spread negative word-of-mouth?
- What percentage of your customers are promoters?
- Which customers are at risk of churning?

Takeaways

Net Promoter® Score is calculated by asking your customers how likely they are to recommend your business to a friend or colleague on a scale of 0-10, then subtracting the percentage of detractors (0-6) from the percentage of promoters (9-10). Surveys are typically sent out to a random sample of the customer base quarterly or biannually.

While CSAT is good at gauging the overall effectiveness of your service team in the short-term, it doesn't do a great job of measuring the long-term experience. That's why NPS® exists – it's a more accurate reflection of customer loyalty.

Ideally, your NPS will increase over time. In order to make that happen, you need to consider the qualitative side of your NPS. When customers fill out this survey, they will also be asked why they chose the score they did. Read all of the responses to this question and keep a list of the best feedback. By taking your customers' comments to heart and working to meet their requests, your NPS should increase and you should see more business from referrals.

In Figure 20, the NPS is never below 0%, meaning that there were always more promoters than detractors. The NPS fluctuated slightly overall, but the real story is an impressive improvement. In just one year, this team found a way to eliminate many of their detractors and turn customers into promoters.

Customer Effort Score

Definition

A measure of the amount of effort customers feel they expend when interacting with customer service, on a scale from 1 (low effort) to 7 (high effort).

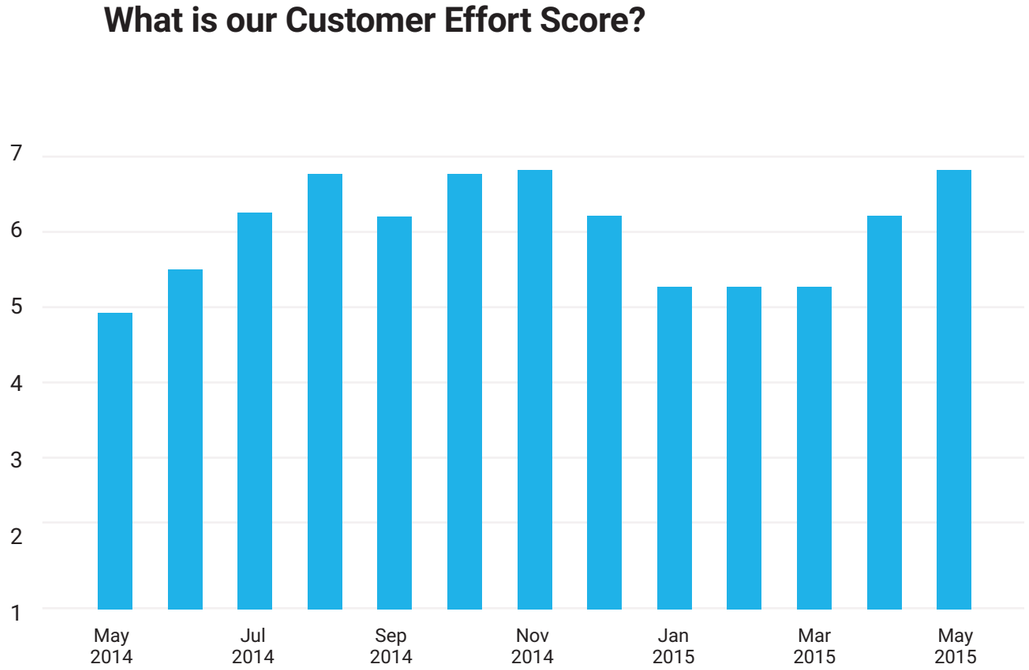


Figure 21

Customer Effort Score fluctuated throughout the past year. In August, October, November, and May 2015, CES was nearly 7, meaning that customers felt they had to expend very little effort to have their problems resolved. In May 2014, January, February, and March, CES was closer to 5, meaning that customers felt they had to expend a significant amount of effort to have their problems resolved.

Questions to Ask

- How hard do customers have to try in order to have their problems resolved?
- Are customers likely to purchase from you again?
- Are customers likely to increase their spending?
- Are customers likely to speak negatively about you?

Takeaways

Customer Effort Score (CES) is a relatively new metric that has proven to be more effective at predicting repurchasing and increased spending than NPS and CSAT. The idea behind Customer Effort Score is that customers don't want to put any effort forth to have their problems resolved – they want the customer service team to take care of it for them.

CES is calculated by surveying customers and asking them: *How much effort did you personally have to put forth to handle your request?* Customers respond on a scale from 1 (very high effort) to 7 (very low effort).

There's a common misconception in the customer service world that you should try to exceed expectations. But in reality, customers don't want their expectations exceeded – they just want them to be met. Rather than trying to go above and beyond for your customers, you should work to minimize the effort on their end.

Figure 21 shows Customer Effort Score over the past year. For most of the year, CES was relatively high, meaning that customers didn't need to try very hard to have their problems resolved – that's great! But from January to March, CES was significantly lower. Why did customers have to expend more effort during this time? A root-cause analysis could be in order to get to the bottom of this.

Chapter 4

Product Development

Summary

Customers are the foundation of your business, but your product is important, too. If people don't want, need, or like using your product, then you won't have many customers. Even once you've created a product that gains traction, you need to constantly refine it. Your product will never be perfect, but it's important to adapt it as the needs of your customers change over time.

Customer service is a gold mine for product feedback. A customer service team that isn't informing its product team is only doing half its job. You receive feedback from customers on a daily basis, so you know best what areas of the product are causing problems for customers. It's your responsibility to relay this valuable feedback from customers to your product team. But how can you quantify the scale of the problems customers are having with certain areas of your product?

By tracking the right metrics, you can explain the exact impact that product areas are having not only on your customers, but also on your team. This will allow you to provide your product team with data to show which product areas need to be improved. Working in sync with your product team will help you improve the user experience for customers and prevent some cases from being opened in the future.

In this chapter, we'll review the following metrics:

- First Contact Resolution By Reason
- Time to Resolution By Reason
- Resolutions By Reason
- Backlog By Reason

Tracking these metrics will help you answer the following questions:

- Which areas of your product do your customers have problems with?
- How can your product be developed to improve the customer experience?
- Which areas of your product cause problems for customers that your team has trouble resolving?

First Contact Resolution By Reason

Definition

The percentage of cases your team has resolved in one response, broken down by reason.

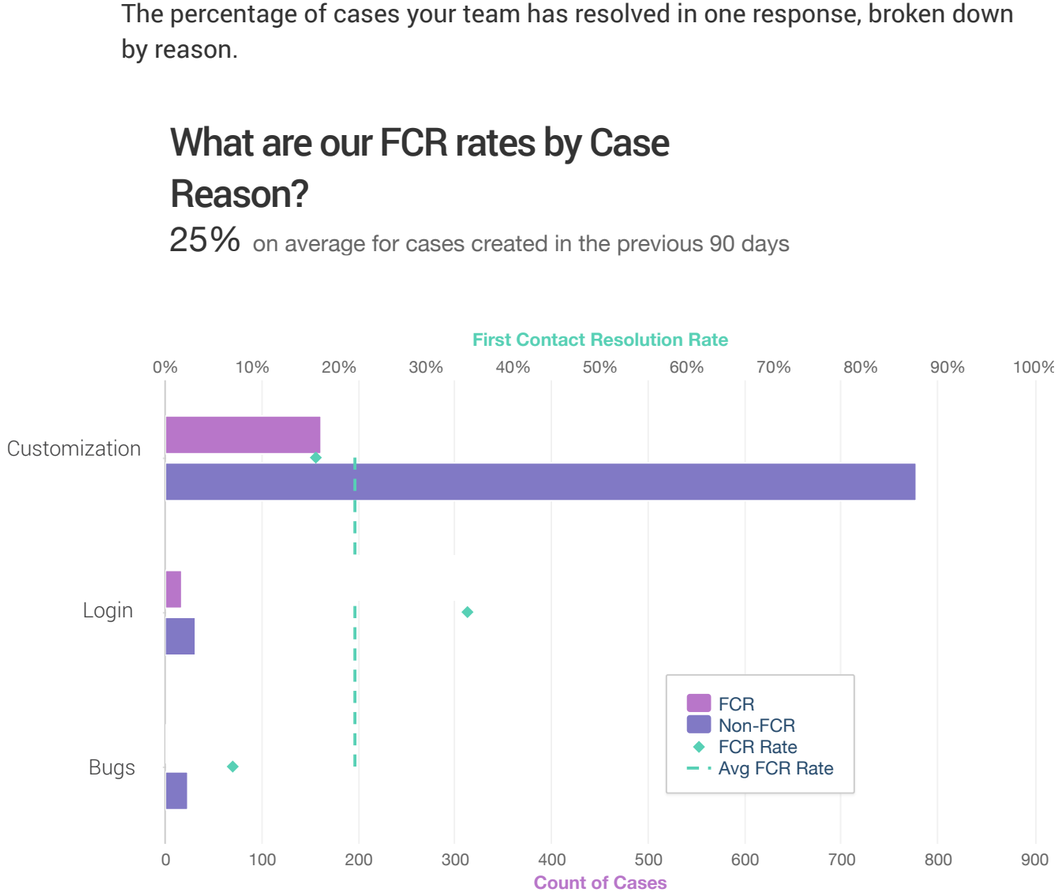


Figure 22

In the past 3 months, cases related to *Login* had the highest first contact resolution rate – just over 30%. Cases related to *Bugs* had the lowest – just under 10%. And cases related to *Customization* had an FCR around 15%.

Questions to Ask

- Which product areas cause problems that your team can resolve easily?
- Which product areas cause problems that are difficult to resolve?
- Which product areas are hindering the efficiency of your team?
- How can improving your product make your team more efficient?

Takeaways

Tracking your team's FCR by reason will give you a sense of how efficiently your team is able to resolve cases related to specific areas of your product. It will also allow you to gauge the amount of effort your team is expending on different cases by reason.

Look at how FCR varies by reason to identify anomalies. If cases related to one reason area have a high FCR, it's a sign that it isn't causing your team much trouble. But a relatively low FCR means that your team has trouble resolving cases related to this product area in one touch. Chances are, these problems tend to be complex or require more information from customers. This is an indication that this area of the product could be improved, for the sake of your customers and your team. If cases related to a certain product area have a low FCR and a high time to resolution, that is a clear sign that this product area needs to be improved.

Figure 22 shows the FCR of cases submitted for three different reasons. Cases related to *Login* have a relatively high FCR, meaning that they are being resolved more efficiently and easily. Cases related to *Bugs* have a relatively low FCR, so they're not being resolved as efficiently. Cases related to *Customization* have a relatively average FCR, but with so many cases, increasing the FCR would improve efficiency drastically.

Time to Resolution By Reason

Definition

The average amount of time (measured in days) it takes your team to resolve, broken down by reason and segmented by stage.

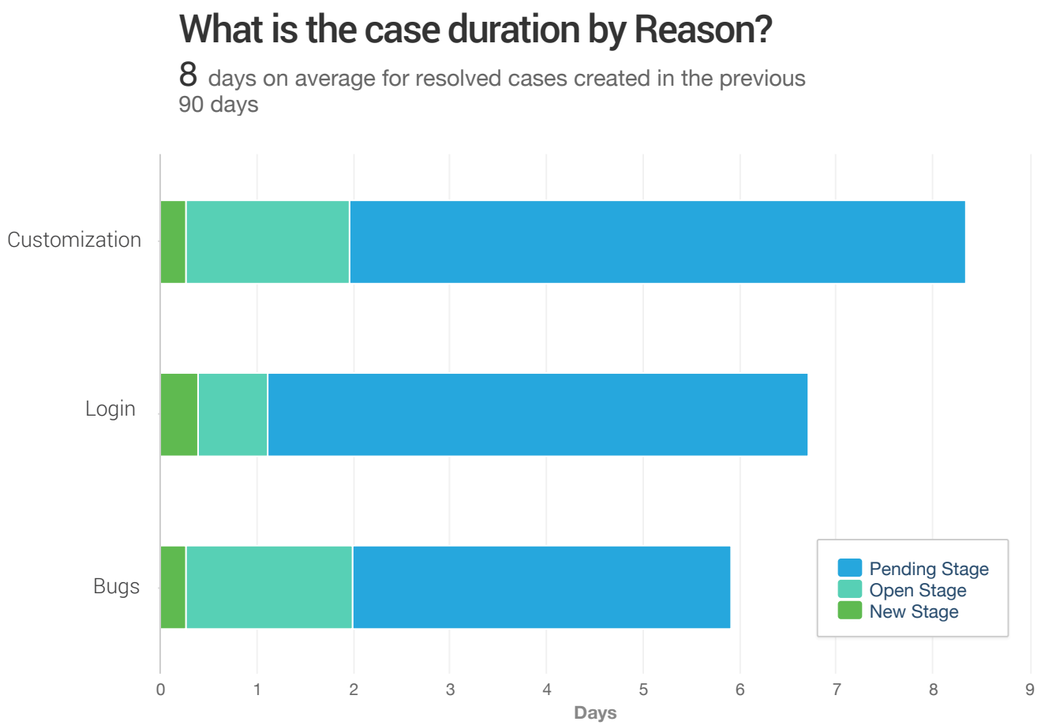


Figure 23

In the past 90 days, cases related to *Customization* took the longest to resolve – over 8 days. Cases related to *Bugs* took the shortest about of time to resolve – under 6 days. Cases related to *Login* took about 7 days to resolve.

Questions to Ask

- Which product areas cause problems that take the longest time to resolve?
- Which product areas cause problems that take the shortest time to resolve?
- Which product areas are hindering the efficiency of your team?
- Which product areas cost your team the most time?

Takeaways

Tracking the amount of time your team spends working on cases submitted for different reasons will help you reveal the source(s) of inefficiency and wasted time. If a certain product area is resulting in a lot of case submissions, then it's likely your team will spend a longer time on these cases, simply because there are more of them. But if your team is able to resolve these cases quickly, then maybe the related product area isn't a pressing issue.

If there's a certain product area that is resulting in cases that your team spends a lot of time on, bring this to the attention of the product team. Explain how your team is swamped with cases that all tie back to this one area of the product. If you provide data to support your claim, your product team will have an easier time understanding the severity of the situation.

In Figure 23, cases related to *Customization* have the longest time to resolution. Why do these types of cases take longer to resolve? Conduct a root-cause analysis to uncover the source(s) of this issue. Could the customization features be improved to facilitate the resolution of these cases? There's only one way to find out – talk to the product team.

Resolutions By Reason

Definition

The number of cases resolved and the average number of activities performed to resolve each of these cases on average, broken down by reason.

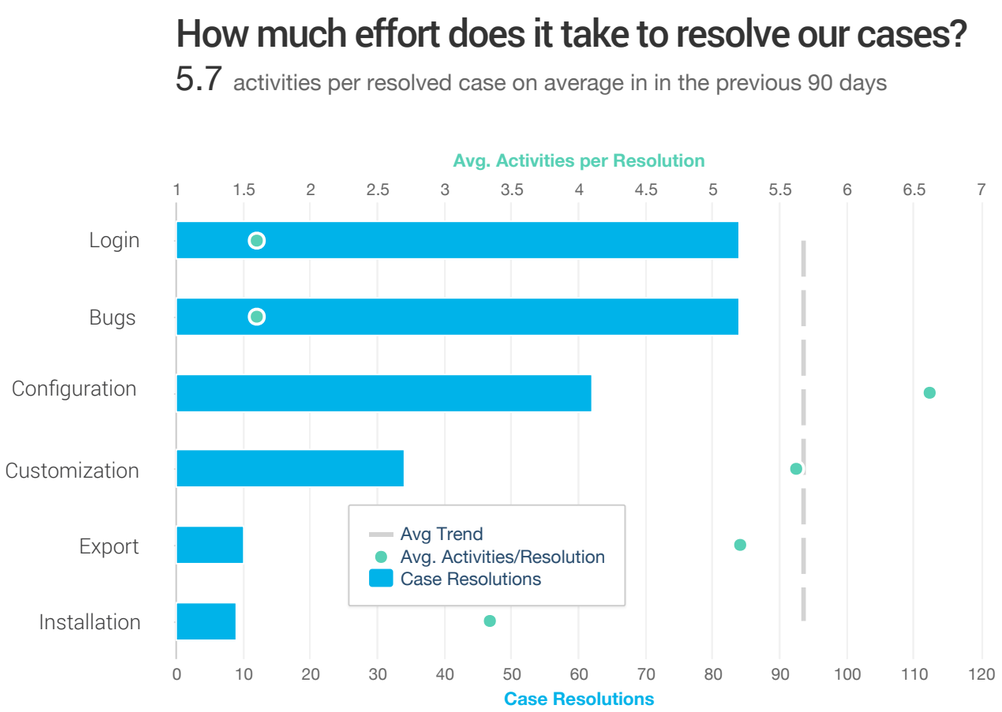


Figure 24

In the past 90 days, *Login* and *Bugs* were the reasons with most case resolutions. But it took only about 1.5 activities to resolve these cases. Over 60 cases related to *Configuration* were resolved, but it took over 6.5 activities to resolve these cases. There were very few cases related *Export* and *Installation* that were resolved.

Questions to Ask

- Which product areas cause problems that require the most effort to resolve?
- Which product areas are holding back your team's efficiency?
- Which product areas cause problems that occur frequently and take more effort to resolve?
- How can improving your product make your team more efficient?

Takeaways

It's important to know how much effort it takes your team to resolve cases related to each product area so that you can get a better understanding of where energy is being spent. If your team is expending a ton of effort to resolve cases related to one product area, then your product team must be alerted.

Find out which product areas result in cases that require the most effort from your service team. See if there are any ways you could resolve these cases more efficiently. Talk to your product team about problematic product areas and ask if these areas could be improved, not only for the sake of your team, but also for the sake of your customers.

In Figure 24, *Login* and *Bugs* appear to be the most problematic reasons at first glance. But take a closer look, and you'll notice that cases related to these two reasons were resolved easily, in just over 1.5 activities. In reality, cases related to *Configuration* demand the most amount of work because it takes over 6.5 activities to resolve these cases. The product team might know how to optimize this product area to make it easier for the service team to resolve related cases.

Backlog By Reason

Definition

The number of cases submitted compared to the number of cases resolved, broken down by reason.

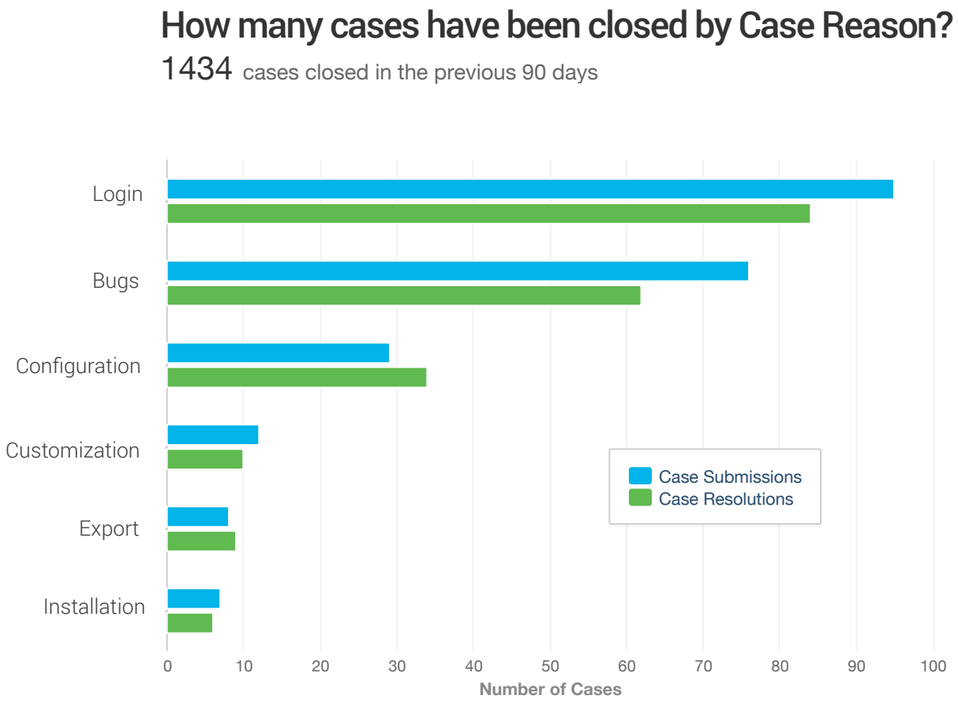


Figure 25

In the past 90 days, the majority of the backlog consisted of cases related to *Login* and *Bugs*. For cases related to these two reasons, there were more submissions than resolutions, resulting in significant backlog growth.

Questions to Ask

- Which product areas cause problems that are clogging your backlog?
- How does the number of submissions compare to the number of resolutions for each product area?
- Are you having trouble resolving cases related to a certain product area?
- Do any product areas need to be improved to help shrink the backlog?

Takeaways

In order to find out which product areas are problematic, you need to identify the reasons why customers are submitting cases. This will tell you which areas of your product are giving customers a hard time. Comparing the number of submissions to the number of resolutions allows you understand how effectively your team is able to resolve cases related to different product areas.

Once you've revealed the source(s) of your submissions, you need to discuss the situation with your product team. Explain to them why backlog growth is an issue and how improving certain product areas can help mitigate the problem. Make it easier for your product team to understand why it's worth the time and energy to improve certain product areas.

In Figure 25, two reasons, *Login* and *Bugs*, were responsible for growing the backlog significantly. Improving the product areas related to these cases would allow backlog to be managed more effectively. The product team should be informed that these areas are causing cases to pile up in the backlog. This will help them understand how your team is impacted by specific areas of the product.

Conclusion

The only way you can truly maximize the performance of your customer service team is by tracking metrics and making data-driven decisions. Since there isn't one be-all-end-all customer service metric, it's essential to look at various metrics in a dashboard to understand the full story. By analyzing the right metrics, you can easily identify the weaknesses of your team and work towards maximizing efficiency.

In this eBook, we broke down the most important customer service metrics into four categories:

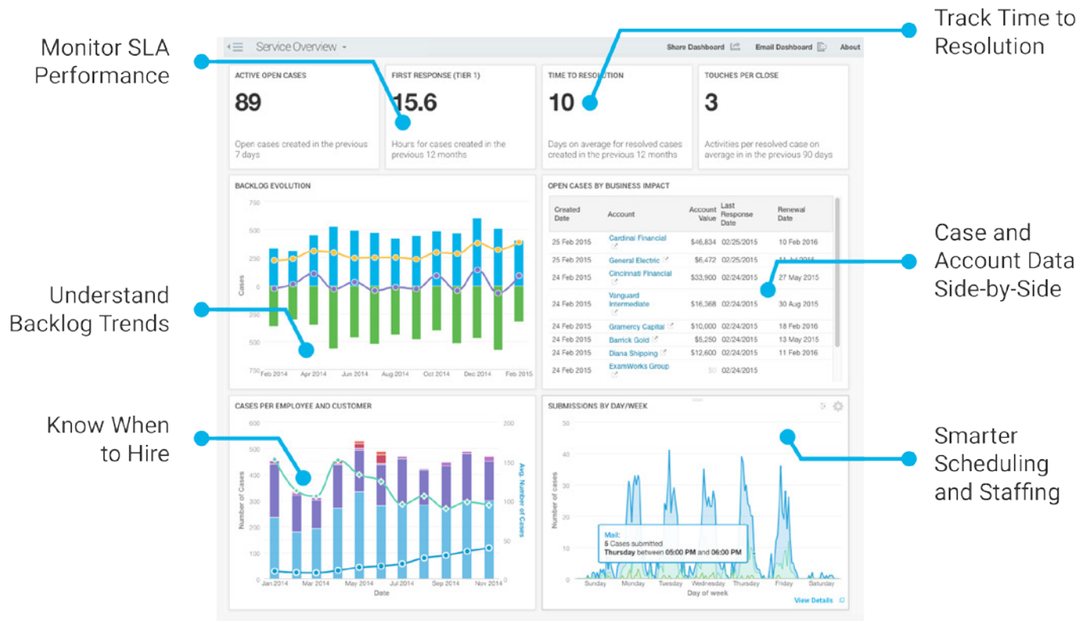
- Rep Activity
- Team Efficiency
- Churn Prevention
- Product Development

Regularly tracking the metrics outlined in each chapter will allow you to take control of your team and improve the quality of your customer service overall. Using reporting and analytics to measure your efficiency will make your life markedly easier. More importantly, it will make life easier for your customers as you resolve their problems faster and more effectively than ever before.

Stop wondering what you could be doing better. Analyze your metrics and find out today. Your customers will thank you later.

Do You Want Happier Customers?

Get a free demo of InsightSquared Service Analytics.



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At InsightSquared, our mission is to help small and midmarket companies run their business by the numbers. Our turnkey business analytics unlock million dollar insights for teams without million dollar budgets.

We help businesses see the true impact of their service organization on the bottom line. Service Analytics helps teams spot churn risks, make smarter hiring decisions, and identify costly aspects of their product offering.