First Call Resolution

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First Call Resolution – Defining, Research, Success Stories and Best Practices

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SQM®™ Call Center FCR Experts

Section 1 – Defining, Measuring and Improving FCR

Overview

First call resolution (FCR) is the metric that matters the most for call centers to define, measure and improve their quality and cost. This section of the book will share best practices for defining, measuring and improving call center FCR. Interestingly, despite the awareness that FCR is the driver of customer satisfaction (Csat), employee satisfaction (Esat), reducing operating costs and increasing customer loyalty, FCR remains a huge opportunity for the call center industry as a whole to improve. In fact, SQM's Voice of the Customer (VoC) research shows that for the average call center, 70% of calls are resolved on the first call, which means 30% of customers have to call back because their issue was not resolved on the first call. Only 5% of the call centers benchmarked by SQM are at the world class FCR performance level of 80% or higher. Achieving the world class standard of 80% or higher VoC FCR performance is the most popular FCR improvement goal that SQM clients strive to achieve and maintain.

For the vast majority of call centers that SQM benchmarks, VoC FCR is 10% to 20% lower than internal FCR measurement methods. An example of how internal FCR can be overstated is when using FCR call-back measurement technology and customers call back from a cell phone, work or another phone other than their home or business number, it cannot be traced to the number they have in the company's customer relationship management (CRM) or information system; therefore, it cannot be counted as a repeat call. Most SQM clients are very surprised that their VoC FCR performance is so much lower than their internal FCR performance. It is important to measure FCR through VoC and internal measurement methods; however, more emphasis should be placed on VoC FCR because the customer's viewpoint is what matters most.

When customers call a call center for most call types (e.g., customer service, account inquiries, orders, product information, reservations, sales and technical) they expect their call to be resolved on the first call. In most cases, customers expect to achieve FCR whether their call is of low or high complexity. SQM's research shows that 86% of customers expect that when they call a call center, their call will be resolved on the first call. Each time a customer has to call back to the call center to resolve an issue that was not resolved on the first call, Csat (top box survey response) drops, on average, 15%. In other words, if a customer calls a call center three times to resolve their issue, on average, Csat (top box response) will drop 30%. For complex calls where customers need to provide more information, or calls that require more research, customers are more tolerant if they do not achieve FCR. In fact, in some cases, Csat (top box response) does not drop when a customer has to call back a second time to have their call resolved. However, for the vast majority of customers, they expect their call to be resolved on the first call.

Why the FCR Metric Matters Most

SQM is often asked, “What metrics are the most important for measuring and managing call center quality and cost performance?” The traditional operational metrics such as service levels, speed of answer, talk time, wrap-up time, calls handled per CSR, abandon rates, occupancy rates and call monitoring scores are all good metrics that call centers should continue to use. However, traditional operational metrics are not proxies for measuring the effectiveness of the call center’s customer service or the efficiency of the call center’s operating costs for servicing customers. For example, SQM has worked with many call centers where service level is below target but FCR continues to improve, or the number of calls handled per CSR increases but FCR drops.

Given the importance of FCR as an effective metric for measuring call center quality and cost performance, it is difficult to understand why all call centers do not actually measure FCR consistently and use that information to improve their FCR performance. Perhaps it is because the FCR metric is relatively new or viewed as too difficult to measure or they do not know how to use FCR data to improve. Interestingly, over 70% of SQM clients who measure FCR through the VoC method consistently improve their FCR performance year over year.

There are some call center practitioners who believe it is a big mistake for a call center to place too much focus on one metric at the expense of others. SQM is not of that same belief. As FCR is a gateway metric to high Csat and Esat performance, lower operating costs and for earning the right to sell, it is the exception to that belief. It can also be problematic to place too much focus on traditional metrics or on too many metrics. For example, when a balanced scorecard[1] approach is used, which typically covers Csat, Esat, cost and revenue metrics, the focus becomes convoluted and it becomes difficult to achieve the goals for all of these metrics. The bottom line is that there can never be too much focus on FCR, the ‘Holy Grail’ of call center metrics.

FCR is widely considered the only key performance metric that provides a balanced view (quality and cost) of a call center’s overall performance. Focusing on FCR will provide a call center with the following five benefits:

1. ***Reduce operating costs*** – for every 1% improvement in FCR, a call center reduces its operating costs by 1%. If a call center is performing at the FCR call center industry average of 70%, it is important to understand that, potentially, 30% of customers will have to call back because their issue was not resolved on the first call. It is also important to note that for the call center industry average, it takes 1.5 calls to resolve a customer’s inquiry or problem yet for customers who do not achieve FCR, it takes on average, 2.5 calls to resolve their call. This is an enormous opportunity to reduce a call center’s operating costs as repeat calls represent 23% of the average call center’s operating budget.

2. ***Improve Csat*** – for every 1% improvement in FCR, there is a 1% improvement in Csat (top box response). Clearly, FCR is highly correlated to Csat. In fact, of all the call center internal or external metrics, FCR is the metric with the highest correlation to Csat. The absence of FCR is the strongest driver of customer dissatisfaction. In fact, as previously mentioned, Csat (top box response) drops, on average, 15% every time a customer has to call back to get their initial call resolved. In other words, if a customer had to call in three times to get their call resolved their Csat (top box response) would be 30% lower than a customer who had their call resolved on the first call.

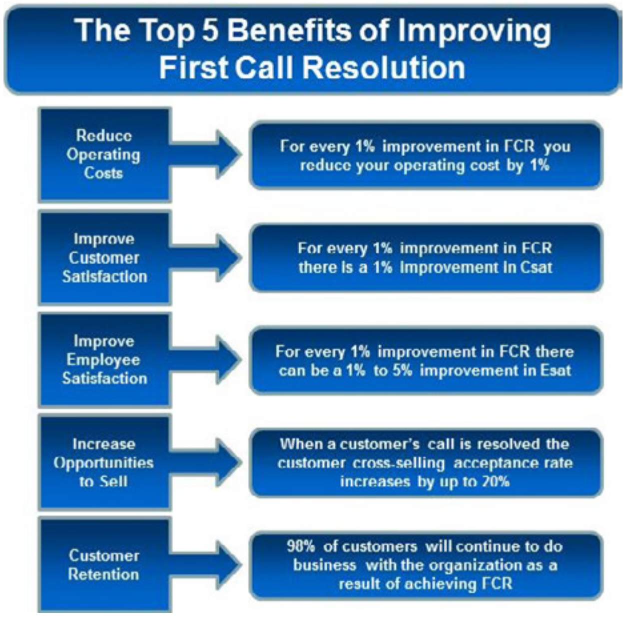
3. ***Improve Esat*** – for every 1% improvement in FCR there can be a 1% to 5% improvement in Esat. Call centers with high FCR tend to have high Esat. Conversely, call centers with low FCR tend to have low Esat. The level of stress is very high for the CSR who handles the second or third call from a customer whose issue was not resolved on the first call. Increasing FCR improves both Esat and Csat. The bottom line is that when customer calls are consistently resolved on the first call, Esat can increase substantially, especially for low FCR performing call centers. Most call center managers connect to the concept that high Esat can provide high Csat/FCR, but it also goes the other way in that high Csat/FCR can provide high Esat.

4. ***Increase opportunities to sell*** – when a customer's call is resolved, it increases the customer cross-selling acceptance rate by up to 20%. SQM's research shows that the customer's needs must be resolved before the CSR has earned the right to move on to any type of sales activity. If the CSR cross-sells before the inquiry or problem is resolved, the customer typically becomes irritated and feels that the organization is pushing its needs, rather than serving the customer's needs. As a result, the fundamental customer relationship is undermined.

5. ***Reduce customers at risk*** – only 2% of customers who have their call resolved on the first call expressed their intent not to continue to use the organization's products and services as a result of their call center experience. However, if the call is unresolved, 19% of customers expressed their intent not to continue to use the organization's products and services as a result of their call center experience. The cost of customer defections as a result of their call center experience tends not to be understood by call centers because it is not often measured. For many call centers, retaining customers represents the biggest opportunity to add true value to their organization. Resolving calls is the key to reducing customers at risk. In fact, for every 2% improvement in FCR there is a 1% improvement in call resolution which results in helping the call center retain customers.

Figure 1 shows the key points for the top five benefits of improving FCR. Sharing this figure with CSRs and other call center personnel can be extremely helpful in effectively communicating, in a concise manner, the business case for improving FCR. It is worth considering having decals or magnets made of Figure 1 to be placed on CSRs desks to remind them of the importance of improving FCR and that their contribution to improving FCR is to provide call resolution, which they own.

Figure 1: The top 5 benefits of improving FCR



FCR is More Than a Metric – It is an Operating Philosophy

FCR is more than a metric and should be viewed as an operating philosophy. The starting point is letting the customer be the primary judge of FCR performance. To be a world class VoC FCR performer, the call center support structure (e.g., call monitoring, call flow, recognition, performance appraisal, recruitment, career opportunities, salary, financial incentives, technology and training) must incorporate FCR in its operating practices. The bottom line is that all the call center's people, processes and technology practices should be continually focused on improving FCR performance. FCR operating philosophy examples include:

- Call center has an FCR operating motto at all levels (e.g., 'Who takes the call, owns the call', 'I own it' or 'FCR – every customer, every time')
- Recognition for FCR and call resolution performance at all levels (i.e., CSR to SVP)
- New and existing CSR and supervisor training focuses on how to provide FCR
- Call center uses an FCR improvement team to reduce repeat calls (e.g., IDCA)
- Career advancement is based on FCR performance at all levels (i.e., CSR to SVP)
- New technology (e.g., KMT, unified desktop and CRM) is designed to improve FCR
- VoC FCR is incorporated into QA evaluations

Defining and Calculating FCR and Call Resolution

Most call center managers struggle with defining and calculating FCR. The most common reason for this struggle is because they do not have a working definition of, or a way of properly calculating, FCR and call resolution. They also use internal FCR measurement methods such as quality assurance (QA) and FCR call-back technology, which can be good practices but not best practices for defining and calculating FCR and call resolution. SQM's research shows that call centers using internal FCR metrics report their FCR 10% to 20% higher than their VoC FCR performance. In the vast majority of cases, internal FCR methods overstate the call center's FCR performance and are difficult to accurately measure. Therefore, managers should not rely solely on internal methods for defining and calculating FCR. Internal FCR measurement methods should be viewed as a supplement to VoC FCR measurement methods. The best practice for defining and calculating FCR and call resolution is to let the customer be the judge of determining if their call was resolved and how many calls it took to resolve their call. The customer's opinion is, after all, what really matters most. So, with that in mind, the following are VoC FCR and call resolution definitions and calculations.

VoC FCR and Call Resolution Definitions and Calculations

FCR

The definition of VoC FCR is based on survey results of the customers who answered 'yes' to the question, "Was your call resolved?" and 'one call' to the question, "How many calls did you make to resolve your call?"

FCR Definition = *Based on survey results, customer's call is resolved on the first call without having to call back to resolve their inquiry or problem (FCR world class standard is 80%)*

The calculation of VoC FCR is based on survey results of the number of customers who determined their call was resolved on the first call, divided by the number of customers who were surveyed. For example, if 280 customers determined their call was resolved on their first call and there were 400 customers who were surveyed, the call center would be performing at the 70% FCR performance level.

FCR Calculation Example = *Based on survey results, the number of customers who determined their call was resolved on the first call (280) ÷ the number of customers who were surveyed (400) = 70%*

Call Resolution

The definition of VoC call resolution is based on survey results of the customers who answered 'yes' to the question, "Was your call resolved?" It does not matter how many calls it took to resolve the customer's call.

Call Resolution Definition = *Based on survey results, customer's call was resolved, no matter how many calls it took to resolve their inquiry or problem (call resolution world class standard is 95%)*

The calculation of VoC call resolution is based on survey results of the number of customers who determined their call was resolved, divided by the number of customers who were surveyed. In some cases, customers had their call resolved in one call and in other cases, it may have taken two or more calls to resolve their call. For example, if 352 customers determined their call was resolved and there were 400 customers who were surveyed, the call center would be performing at the 88% call resolution performance level.

Call Resolution Calculation Example = *Based on survey results, the number of customers who determined their call was resolved (352) ÷ the number of customers who were surveyed (400) = 88%*

Top 5 Questions About FCR Measurement Impacts

When implementing a new VoC FCR measurement system for a call center, SQM is asked many questions about how FCR can be potentially impacted. Listed are the top five questions SQM is asked pertaining to FCR measurement impacts:

Question #1:

If a customer uses another contact channel prior to, or after, calling the call center and had their call resolved on the first call, is this still considered FCR?

Answer:

Yes, it is still considered FCR. In the vast majority of cases, there is no FCR penalty for a customer using multiple contact channels for resolving their inquiry or problem. For example, if the customer used another contact channel (e.g., website) to inquire about the company's products and services, which triggered them to call the call center, there is no FCR penalty when the customer uses multiple channels. This is most often the case for customers using multiple channels. On the other hand, if the customer felt that they should have been able to use the other contact channel (e.g., website) to get the information they were looking for, or to resolve their inquiry, and they were not able to, the customer may consider their call to the call center as a non-FCR call.

Research:

SQM's research shows that 14% of customers use multiple contact channels to resolve their inquiry or problem and 63% of the time it is prior to calling the call center. There is no significant difference in FCR performance for customers whether they use multiple contact channels or just the call center to resolve their inquiry or problem.

Question #2:

If there is fulfillment required to resolve the customer's inquiry or problem, is this still considered FCR?

Answer:

Yes, it is still considered FCR. The bottom line is that most customers view the call center as innocent until proven guilty. In other words, they assume that the fulfillment (e.g., billing changes, order processed, service request and claim adjustment) will take place.

Research:

SQM research shows that FCR is at 70% for fulfillment call types, which is the same as the call center industry average.

Question #3:

If a customer's call is transferred to another CSR, or another department, is this still considered FCR?

Answer:

Yes, in most cases, it is still considered FCR if the CSR warm transfers the customer's call to the second CSR, or it is easy for the customer to reach the second CSR, and the call is resolved. Transferred calls to the second CSR tend to be more complex calls, where FCR is more difficult to achieve. In some cases, if the call is cold transferred, or it is difficult to reach the second CSR, the customer considers this as two calls.

Research:

SQM's research shows that when calls are not transferred, FCR is 73% and when the call is transferred, FCR is 59%; a drop of 14%. The reason for this, in most cases, is not due to the transfer practice, but rather because the second CSRs are handling difficult calls resulting in lower FCR performance.

Question #4:

If the organization feels they have resolved the call on the first call, but the customer says it is not FCR, can it be considered FCR?

Answer:

No, this cannot be considered FCR. Letting the customer be the judge of whether or not the call is resolved can, at times, be one of the most difficult things for call center managers to do. The reason for this is that many managers determine call quality through internal call resolution measurement methods such as QA, FCR call-back technology and CRM. As a result of historically using these internal measurement methods, they have become conditioned to use these methods for judging call resolution.

Research:

It is SQM's belief that letting the customer be the judge is the best practice. The reason for this belief is that internal FCR measurement method results (e.g., QA and CRM) show FCR of 85% compared to external FCR measurement method results (e.g., VoC) of 70%. Clearly, internal FCR measurement methods overstate FCR performance and, as a result, there is no sense of urgency to improve FCR performance.

Question #5:

If the CSR calls the customer back to resolve the call, is this considered FCR?

Answer:

Yes, it is considered FCR in most cases. The reason for this is that most customers view this as one call because the CSR called them, and they did not have to call the call center twice.

Research:

SQM's research shows that customers really appreciate when the CSR calls them back in a timely manner, and in most cases, will give a very satisfied (top box response) Csat rating. Conversely, if the CSR takes too long to call the customer back, this is one of the biggest sources of customer dissatisfaction and they will view this as a non-FCR call.

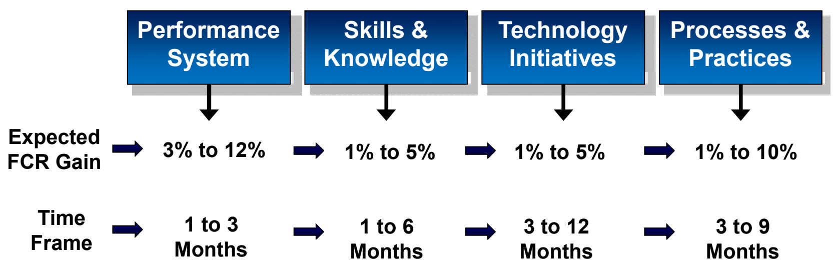
The following is a list of best practices for defining and calculating FCR:

- FCR is defined by letting the customer be the judge for determining if their call was resolved on the first call
- FCR is calculated as the number of customers who experienced FCR divided by the number of customers who were surveyed
- Internal FCR measurement methods such as QA and FCR call-back technology are secondary to VoC FCR measurement methods
- Use a post-call outbound interactive voice response (IVR), post-call phone or web survey
- Use a post-call FCR focused survey where the customer is asked, "Was your call resolved?" and "How many calls did you make to resolve your call?"
- If the customer said their call was resolved, and in one call, then the customer experienced FCR
- If only one call is made, the customer is transferred to another customer service representative (CSR) and the call is resolved, it is still considered, in most cases, FCR
- FCR is achieved even if the call requires fulfillment by another employee or department, as long as the customer does not have to call back about the same inquiry or problem
- FCR is achieved even if the customer uses a self-service channel (e.g., IVR or website) to resolve their inquiry or problem, as long as the customer does not have to re-contact a CSR about the same inquiry or problem

FCR Gains from Making Improvements

SQM is often asked, “What FCR performance gains can be expected when implementing specific FCR improvement initiatives?” Figure 4 shows the FCR gains from making improvements to a performance system, skills and knowledge, technology initiatives and processes and practices. Interestingly, a VoC performance system has historically provided the biggest FCR gains (3% to 12%) in the shortest amount of time of all improvement initiatives implemented by SQM clients. Skills and technology initiatives have provided modest FCR gains (1% to 5%) in comparison to a VoC performance system initiative. Process improvement initiatives have proven to be the second biggest FCR gains (1% to 10%); however, they also can take a long time to achieve.

Figure 2: FCR gains from making improvements



Implementing a VoC performance system that creates awareness and accountability and provides bonuses and rewards for FCR, Csat and call resolution performance from the CSR to the VP levels, can provide up to a 12% FCR gain within one to three months. Of all the FCR improvement initiatives that SQM clients have implemented, the VoC performance system is the initiative that has been the most successful for delivering consistent FCR gains.

Skills and knowledge training for CSRs to improve FCR/call resolution performance has not resulted in substantial FCR gains (1% to 5%) compared to other improvement initiatives. The main reason for this is that supervisors and management are not skilled at training CSRs on how to improve their FCR/call resolution performance. Even though training has not historically produced substantial FCR gains, SQM believes that when properly implemented, training of CSRs on how to improve their FCR/call resolution performance can provide substantial FCR gains. It has been SQM’s experience that CSR skills and knowledge improvement initiatives take six months or less to provide noticeable FCR gains.

Technology, as a whole, has large opportunities for FCR gains. However, when looking at specific technology improvement initiatives such as voice menu navigation, knowledge management tool (KMT), unified desktop and skill based routing, they have had only modest opportunities for FCR gains. SQM’s research shows that specific technology improvement initiatives result in 1% to 5% FCR gains with a 3 to 12 month timetable to complete the implementation. Most call center managers falsely believe that the biggest opportunity for FCR gains come from technology advancements. The largest FCR gains actually come from people improvement initiatives (e.g., VoC performance system) and process improvements (e.g., FCR improvement team).

Process and practice FCR improvement initiatives represent the second best opportunity to improve FCR. SQM's research shows that improvement initiatives in this area result in 1% to 10% FCR gains with a three to nine month timetable to complete implementation. A big challenge for organizations is that most call centers do not have an FCR process improvement team or Six Sigma certified employees. Most process and practice improvement initiatives come from areas such as claims, billing, marketing and policies that have hindered the call center from improving FCR performance.

The timetable to implement technology and process FCR improvement initiatives tends to be longer because there are more departments involved. In many cases, there is no specific owner for improving the organizational issues that are creating repeat calls. When an organization begins the FCR journey, it is important to make quick FCR gains in order to establish credibility that FCR can improve. That is why SQM advocates a VoC performance system and training improvement initiatives first then, after successful implementation, implementing the organizational technology and process improvement initiatives. The FCR gain that call centers can expect depends on their current performance. Lower FCR performing call centers can expect higher FCR gains than higher FCR performing call centers because there is more room for FCR improvement. Call centers should not expect to achieve the high-end of FCR gains from each improvement initiative. The range of FCR improvement that SQM clients have experienced when they embarked on the FCR journey is anywhere between 1% and 20%, with the average call center experiencing a 5% FCR gain within four years.

SQM is also asked, "What are the potential financial gains that can be expected from improving FCR?" SQM's research shows that, for the average call center, a 1% improvement in FCR performance equals $256,000 in annual operational savings. Another question SQM is often asked, "What is an average annual FCR improvement goal that should be used?" Again, 70% of SQM tracking clients improve their FCR performance annually by 2% or less. Only 5% of SQM's clients are able to achieve a 5% or more gain in their FCR performance on an annual basis. In other words, a 5% improvement is significant, given that 95% of SQM clients are unable to achieve this FCR gain.

About SQM

Since 1996, SQM has been a leading North American call center industry research firm VoC expert for improving organizations' first call resolution, operating costs, employee and customer satisfaction. We have done this by being operationally excellent at benchmarking, tracking, consulting and recognizing our clients' first call resolution (FCR), employee (Esat) and customer (Csat) satisfaction performance. Over 70% of our tracking clients improve their FCR and operating costs year over year. For the average call center SQM benchmarks, a 1% improvement in their FCR performance equals $256,000 in annual operational savings. Our research also shows that when you improve your FCR, not only do you achieve operational savings, you also reduce customers at risk which is typically a 5-10 times greater savings opportunity than the operational FCR improvement savings.

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