Tiered Service: The Next Step in Optimizing Contact Centers
By Jason Williams

Savvy businesses have long segmented customer perks according to customer value. With Delta Air Lines’ Medallion frequent flyer program, for example, benefits vary according to whether you have flown 25,000, 50,000, 75,000 or 125,000 miles. Only top-tier Diamond members get top-tier perks like free admission to the Delta Sky Club.

The same tiered service concept can help contact centers cope with business pressures ranging from escalating costs and mounting competition to reduced product/service differentiation that complicates customer retention efforts.

In a tiered service scenario, support privileges can be added or subtracted based on factors such as each customer’s total purchases, tenure and/or demographics.

Lower-value customers may have limited service options. Premium customers may be entitled to more options, faster response, a VIP agent team, or even a choice of agents. One-size-fits-all no longer applies.

Big Impact

While this model is still in its infancy in the contact center, it has paid off for branded manufacturers who have customized the services they provide to retail customers based on each retailer’s contributions to the manufacturer’s profits.

According to a leading consultancy, manufacturers that adjust policies such as order lead times and minimum order quantities to reflect each retailer’s strategic importance to the organization have reduced operating costs by 8% while also increasing revenues by 2%.

Contact centers can be expected to achieve similarly positive results by utilizing the same principle for customer support. It’s a matter of dedicating proportionately more resources to the customers who account for the lion’s share of your business.

The Role of Self-Service

Achieving this kind of service differentiation requires careful planning. The goal is to establish the right mix of self-service and agent-based support in order to provide the best customer service experience at a cost that matches the value of each customer. At the heart of the process is the need to segment and prioritize your customer base in whatever manner makes the most sense for your organization.

But the ability to actually deliver differentiated service is directly linked to newer technologies such as web, chat and social media, and the related expansion of options that you can offer beyond basic IVR to avoid the expense of having every customer interaction handled by live agents.
These technologies, their role in driving the multi-channel service center, and the increasing embrace of self-service – particularly by younger consumers who are less inclined to use live assistance for routine queries - will be the engine behind service segmentation. The explosion of smartphones will also help drive the trend by giving consumers 24/7 access to self-service literally at their fingertips.

Indeed, studies show that:

- By 2012, consumers will be willing to perform all possible customer service functions themselves.
- By 2013, at least 35% of customer service centers will integrate social capabilities.
- By 2014, there will be more smartphones than computers accessing the Internet.

Changes like these will make it possible to tailor customer treatment to customer characteristics to effectively meet service segmentation objectives.

**Market Necessity**

For many contact centers, the move to tiered service may soon be less an option than a matter of survival. By 2020, according to a leading research company, fewer than 10% of brands will be able to provide meaningful product or service differentiation. That means it will become increasingly difficult to retain customers by claiming a competitive advantage.

In this environment, customer service will become the key differentiator. Already, according to a recent American Express study, 91% of Americans consider the level of customer service important when deciding to do business with a company; 81% are likely to give a company repeat business after a good service experience; and 51% are likely never to do business with a company again after a poor experience.

Yet few companies will be able to afford to treat every customer equally. Segmenting service by customer value is the logical answer. By providing a solution to maximize customer service while also minimizing costs, tiered service will help businesses keep the customers who matter the most. In today’s churn-prone world, that will be a major achievement.

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