

Red Hawk Associates, Ltd.

Customer Service Expense Reduction Case Study

Situation

Our client, a large financial services company, had determined a need to improve quality in its operations. The leadership realized that any meaningful effort had to have the underpinnings of a rigorous analysis of the current costs of poor quality (COPQ) and the financial benefits of improvement.

The Company hired our team to develop a methodology to measure the costs of poor quality and to lead a test project in one business area of the company. That initial test project would then serve as a model for measurement throughout the company. The next areas to be studied and then plans developed included retail banking and private banking. Over a period of seven months, we completed our assignment.

Findings

Our small team, with the addition of two key people from our client, conducted dozens of interviews, visited every processing site and analyzed thousands of telephone calls from customers. As a result, we determined that the cost of poor quality in our client's credit card customer service operations was 52% of the annual operating budget. The main symptom of poor quality was the inability to resolve customer issues at the point of first contact. For example, whenever our client's marketing department would send a new promotion to card holders, the call centers would be flooded with calls from customers asking to have the offer better explained. A simple solution that would pay off in millions of dollars of savings was to be sure that the outbound communication was complete and understandable and that the call center operators, if called, were trained well enough to answer the questions posed.

We also determined that the cost of poor quality for our client's home finance business was 44% of operating budget.

Conclusions

Our client used this study as a call to action throughout their business to develop and implement plans to reduce costs. Since the completion of our part of the project, the Company has subsequently closed one of the largest acquisitions in its industry's history.

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