

Rapid and Sustained Cost Management

Managing Front-Office Costs



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The prospect of an extended period of economic uncertainty presents organizations with a difficult challenge: reduce front-office costs while remaining responsive to changing customer needs, new competitive risks and growth opportunities. Yet even in these challenging times, organizations seeking to achieve high performance have opportunities to strengthen valued customer relationships and expand their markets while remaining cost-competitive and profitable. Many of these opportunities can be found in the activities and assets that lie between or span front-office operations—areas often overlooked in conventional approaches to managing front-office costs.

Sustaining High Performance through Uncertain Times

Focus on the Front-office

Across many industries, a global credit crunch has reduced available financing for many companies and their customers. As a result, demand has softened globally and across markets. This combination of tight credit and soft demand is likely to have a significant impact on revenue and profitability for some time to come.

With revenue streams at risk and growth opportunities seemingly limited, many organizations have taken a closer look at their marketing, sales and service costs—often more urgently and in different ways than in the past. After exhausting traditional function-by-function budget reductions, many have discovered further opportunities in untapped areas between or spanning functions

Accenture has found that companies under cost pressure tend to focus on optimizing back-office functions, while making only temporary impacts in

the front-office, such as deferring or cutting discretionary spending. Many opportunities for meaningful, sustained cost reduction in the front-office have, historically, been largely overlooked.

For example, in 2007 the Economist Intelligence Unit surveyed 186 senior executives from multiple industries with responsibility for marketing, sales, strategy, business development, general management and finance. Forty four percent of the respondents reported that their companies gave limited or no consideration to the costs associated with new product introductions or with the continued production of products that sold poorly.¹

In the current economy, however, reducing costs and generating cash flow are imperatives for virtually every part of business, including the front-office. We believe many organizations still have significant opportunities to improve the overall cost structure of their marketing, sales and customer service functions.

An analysis we conducted for one client revealed the company could realize savings in its sales operations totaling as much as 5 percent of revenues, by centralizing operations, consolidating systems, improving processes and making other improvements. Besides helping sustain profitability through uncertain times, optimizing front-office costs also helps generate incremental cash needed to fund strategic growth initiatives or improve customer retention.

Accenture believes that the companies best positioned to achieve and sustain high performance over the long term are those that balance the imperative to reduce costs with the imperative to protect customer relationships and the revenue base while taking share from competitors. Our ongoing High-Performance Business research shows that a key characteristic of high performance is the ability to deliver a customer experience that is highly relevant to distinct customer needs,

and consistent with the promise of the brand.² Moreover, we have worked with clients who have successfully delivered a satisfying customer experience while remaining profitable.

Accenture helps organizations develop comprehensive, process-driven strategies for rapid and sustained cost management—starting with deep customer insights and business analytics. This serves to eliminate front-office activities that have become inefficient over time and no longer deliver value for customers. As a result, we help clients achieve dramatic and sustainable improvements in quality, cost efficiency and operating flexibility without decreasing sales, customer satisfaction or loyalty.

Our approach enables companies to gain operating cost advantages by rationalizing, simplifying and automating current operating capabilities. It also helps create structural cost advantages by optimizing the business mix, capital structure, organizational structure and geographic presence.

Balancing the Short and Long Views

Making urgent short-term decisions with an eye toward long-term risks and opportunities can be challenging. In past downturns, some organizations tried to reduce customer service costs by moving operations offshore or by forcing a rapid consolidation of service center locations. They did so without a credible base of facts on the impact to the customer experience or a plan for mitigating the risks. As a result, they inadvertently frustrated customers and damaged their reputations.

Our research has found that businesses taking a more disciplined, analytically driven approach to cost reduction not only avoid such issues, but also outperform their peers in revenue growth, profitability, cash flow and total return to shareholders—and they sustain and increase their market leadership over time.

We analyzed the financial results of 850 companies in the United States that experienced the recession of 1990–1991.³ Based on their return on invested capital (ROIC), we separated these companies into three categories: winners—those that outperformed their industry for six years following the recession; losers—those that underperformed their industry; and average performers—those that ended up in the middle.

What did we find? Winners took the bolder path. While attending to current cost structures, they also kept their eye on the prize: building sustainable future value for the company and its shareholders. In essence the winners pursued an “and” strategy, not an “either/or” approach. They practiced rapid and sustained cost management in areas of the business where costs were not competitive. Yet they also invested in strengthening their market position and expanding market share—through acquisitions, forays into new markets, the launch of new product lines—and were at times even willing to trade off a low ROIC in early years for a high ROIC later.

Others can follow in the path of these leaders, by taking advantage of untapped opportunities to optimize front-office costs, sustain these cost benefits over time and generate cash to invest in new growth and customer-retention strategies. The key is to focus on the often-missed areas where products, processes and functions interact, reviewing processes from end to end and creating a complete picture of cost drivers.

Tapping the Untapped

When companies focus on front-office costs, their attention tends to be drawn by size: the functional areas with the highest volume of customer transactions, the largest workforces or the biggest operating budgets. Consequently, less obvious but still important opportunities to reduce costs remain unexplored: optimizing use of lower-cost service

channels, for example, or reducing the complexity of the product set.

The Accenture approach to rapid and sustained cost management in the front-office (Figure 1) addresses high-profile programs and operations as well as activities and assets that lie between and across marketing, sales and service functions—areas which more conventional approaches tend to overlook.

Hearing the Voice of the Customer: The Science of Triangulation

A rigorous, comprehensive approach to identifying opportunities for rapid and sustained cost management in the front-office begins with an “outside-in” analysis of the customer base to reveal the voice of the customer.

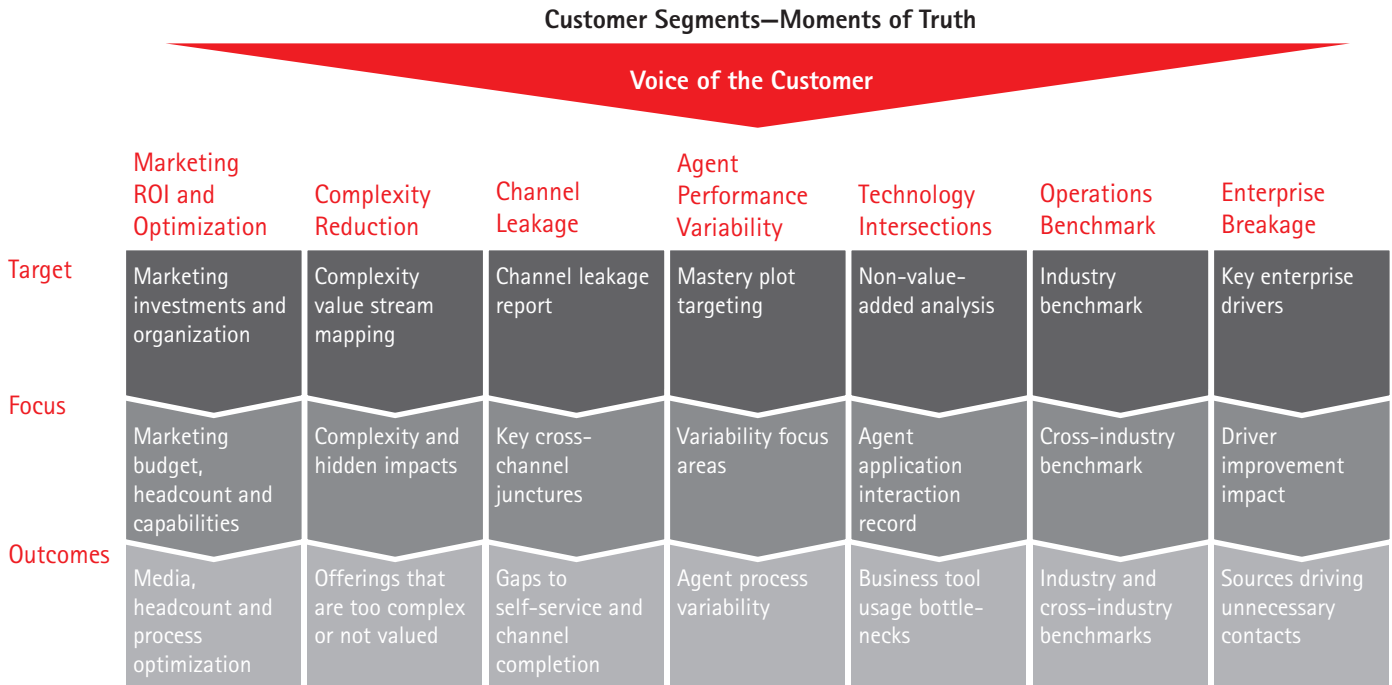
Accenture takes a scientific approach, triangulating customer needs and values—identified through robust customer segmentation—with traditional customer and market research and behavioral data gleaned from multiple customer touchpoints.

The results of this “voice of the customer” analysis help isolate front-office activities that are truly valued by the customer from those with little or no customer value, providing a reliable compass for restructuring front-office costs with minimal negative impact on customer relationships.

Managing Marketing Return on Investment and Marketing Operations

The current economy is taking its toll on marketers: increasing costs, decreasing budgets and hiring freezes are just a few of the challenges facing these executives today. In addition, tremendous changes in the marketplace mean that many once-successful marketing techniques no longer serve the needs of the organization.

Figure 1: The Accenture approach to rapid and sustained cost management in front-office operations.



Through our research and client work, we have learned that winners avoid dramatic swings in their discretionary marketing spend by continually rebalancing their marketing investments and staying focused on programs and customers offering the greatest demonstrated return on investment.

Yet while measuring returns is standard practice for most business areas, it tends to be applied less rigorously in the marketing function if at all. Accenture can help by providing the proprietary analytic and predictive modeling tools and techniques that enable companies on the path to high performance optimize their end-to-end marketing planning, forecasting and marketing spend.

Leaders also eliminate operational redundancies, streamline processes, drive greater reuse of their marketing assets, reshape vendor partnerships and automate low-value marketing activities—and through these actions,

they release funds to be used in more productive and profitable ways. Accenture helps companies identify these opportunities for their organizations, and build critical capabilities for aligning marketing spend to corporate goals, increasing marketing return on investment and improving the overall operating efficiency of their marketing function.

Reducing Product and Service Complexity

As organizations have expanded their product and service portfolios in response to changing customer demands, or through mergers and acquisitions, many have created a level of complexity in front-office operations that taxes the enterprise without creating value, thereby lowering overall profitability.

In a survey of more than 400 executives conducted by George Group (now the Accenture Process &

Innovation Performance service line) and Knowledge@Wharton, roughly half of the respondents indicated that portfolio complexity had a “negative or a somewhat negative impact” on cost competitiveness and lead time. In addition, between one-quarter and one-third of those surveyed said complexity hurt their product quality, sales effectiveness, customer service and satisfaction.⁴

Optimizing front-office costs may require companies to reassess their product and service portfolio in light of changing customer needs and the true costs of supporting complexity. Accenture helps clients quantify product complexity and its hidden costs, and use this analysis to identify offerings too complex or expensive to continue supporting, while continuing to offer customers the right level of variety without harming profitability.

Avoiding Channel Leakage

The emergence of new retail and social networking channels and the growing number of “do-it-yourself” customers warrant a fresh look at spending within and across channels. Understanding the customer experience from a multichannel perspective and how it affects operating efficiency upstream and downstream may uncover opportunities to optimize channel cost-efficiency—while improving the customer experience.

Front-office operations that involve multiple customer channels have a higher risk of “channel leakage”—customers switching channels or even switching providers as a result of a disappointing experience. For example, how often does a frustrating self-service experience cause customers to switch to more costly channels to complete their transaction? Are stores in a single region experiencing a disproportionate rate of customer defection? Is one contact center experiencing an unusually high volume of service warranty questions?

Identifying the direct and indirect causes for situations like these can help uncover opportunities to improve cost performance of the customer channel—for example, the need for better sales training or clearer customer communications.

Getting the multichannel experience right can create other benefits as well. The research we have conducted for specific clients has shown that their multichannel customers are accretive not cannibalistic. When served by a customer-centric, multichannel model, these customers tend to purchase more, purchase more often and are more profitable than other customers. We have also found that multichannel customers are made rather than born, by providing a relevant and consistent experience across channels.

Managing Variability in Sales and Contact Center Workforce Performance

Even before current economic conditions took hold, many workers in customer-facing roles found themselves challenged to meet performance goals. For example, one sales force survey found the average time spent on sales activities fell more than 10 percent over a two-year period, as a result of inefficient processes and work environments.⁵ Today, heightened economic concerns have increased performance pressure even more for front-office workers.

The traditional approach to managing the performance of the sales and service workforce is based on managing to averages: average call handling time, for example, or average sales cycle. To help companies achieve further cost reductions, Accenture also looks at individual performance, to identify significant variations within the workforce population—for example, an agent who handles customer service calls or closes new business significantly faster or slower than his or her peers.

Identifying such variations and diagnosing their root cause can uncover issues with process, training, technology or other factors that are impeding efficiency and increasing operating costs. In contrast, understanding the reasons why other workers outperform their peers can identify ways to move other workers forward along the performance curve.

Managing Technology Intersections

Technology can hinder as well as help operating efficiency—every minute a sales or service agent spends looking up a customer record in the system, for example, is time spent without creating value for the company or the customer. Too many such minutes undermines the customer experience and increases operating expenses.

Tuning the systems, applications and tools that support the customer-facing workforce is an investment many organizations are reluctant to make, due to lack of performance data and the complexity of coordinating the IT and business functions. Yet the cumulative impact on performance can be significant.

Accenture has the tools, methodology and functional experience to bring these inefficiencies into focus, allowing technology and business leaders to take out costs while improving the overall impact of technology investments.

Evaluating Operational Benchmarks

Peer-to-peer comparisons of operating performance with other industry players are valuable tools—when the data is reliable. Unfortunately, strategic and tactical decisions about front-office operations are often based on very general data, often without a clear business context. Accenture provides clients with a powerful lens for viewing and evaluating their operational performance against peers within and across industry and geographic boundaries.

Our proprietary data repository enables us to provide deep performance insights rapidly, by comparing a company's operational performance to a verified data set encompassing multiple industries and geographies. These “plain truth” comparisons identify not only improvement opportunities in areas where an organization falls below the standard, but also areas where the company may be exceeding the standard unnecessarily, thereby incurring additional cost.

Accenture can help you not only survive but achieve high performance in these tough economic times—and retain a competitive edge when economic stability returns. We help deliver both sustainable and one-time cost reductions, targeting benefits often difficult to identify and quantify, to achieve the “last mile” in front-office cost management benefits.

For more information about out how Accenture can help your organization on the journey to high performance, please contact us at +1 (312) 737-8290.

Avoiding Enterprise Breakage

As enterprises expand their business and add customer channels, they often fragment the customer experience across channels and business functions—for example, launching a new marketing campaign that creates a spike in customer calls the contact center is unprepared to handle, or generates new leads the sales team is unable to process effectively.

Researchers have found that most enterprises also perceive a disconnect between key sales processes: pricing, negotiation, contract management, order management and invoicing. Accumulatively, over the course of the year, enterprise breakage seriously erodes cost efficiency as well as customer satisfaction. Further, according to one survey conducted on this topic, these disconnects lead, on average, to a 9 percent loss of revenue for their enterprises, as a result of regulatory penalties, missed deadlines, lost sales, “maverick” pricing and transactional errors.

While targeting specific opportunities for cost reduction—such as reducing complexity or preventing channel leakage—Accenture also helps identify and eliminate breakdowns within and across enterprise functions. Across the entire front-office enterprise, we help clients realize their strategic priorities and by removing inefficiencies and driving high-quality business processes through the integration of the proven improvement methodologies

In summary, Accenture takes a novel approach to managing front-office costs that goes beyond the traditional function-by-function focus, to find cost management opportunities in untapped areas between or spanning functions. Harnessing the power of deep customer insights and business intelligence, we help organizations achieve rapid and sustainable cost benefits while preserving customer satisfaction, trust and loyalty.

- 1 The Economist Intelligence Unit, “Managing the Challenge of Product Proliferation,” 2007.
- 2 Woody Driggs and Susan Piotroski, “Experiencing the Brand; Branding the Experience,” Accenture, July 2004.
- 3 Jane Linder and Brian McCarthy, “When Good Management Shows: Creating Value in an Uncertain Economy,” Accenture, August 2008.
- 4 Accenture, “Unraveling Complexity in Products and Services for High Performance,” 2008. Accenture acquired George Group in 2007.
- 5 CSO Insights, “Sales Performance Optimization,” 2006.
- 6 Aberdeen Group, “Contract Management: The Quote-to-Cash Cycle,” December, 2006.

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