FIRST CALL RESOLUTION
REIMAGINED

Importance, Defining, Measuring, Goals & ROI

Part I

SQM® Call Center FCR Experts

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and the Inventor of Voice of the Customer FCR Measurement

This First Call Resolution Whitepaper Part 1 will focus on reimagining First Call Resolution in terms of this metric's Importance, Definition, Measurement, Goals, and ROI. Part 2 will focus on call center best practices for improving FCR. Parts 1 and 2 are based on SQM's call center FCR benchmarking research and over 25 years of FCR and CXM experience in working with leading North American companies.

Importance of First Call Resolution

This paper is about reimagining how call center leaders can use the First Call Resolution (FCR) metric to improve service and cost. In some cases, FCR has become less effective as a metric because call center leaders are always using new, trendy metrics or using too many metrics to measure and manage their service and costs. Always looking for the next best trendy metric or too many metrics can have negative consequences because there is no commitment or focus. For example, journey metrics such as Csat, empathy, tone, caring, etc., are worthy of measuring, but not at the expense of outcome metrics such as FCR and call resolution. Put differently, FCR and call resolution should be the primary metrics, and journey metrics should be secondary metrics. This approach of always looking for the next best trendy metric, or the use of too many metrics, can have negative consequences because many call center leaders lose sight of what is important, and as a result, they don't improve service and cost.

It is SQM's opinion that call centers should refocus their attention on FCR because it is such an impactful metric for improving service, cost, and it is the metric that matters the most to your customers. SQM's research shows that 93% of customers using the call center expect to resolve their inquiry or problem on the first call. FCR is a metric that measures a call center's ability to resolve a customer's inquiry or problem on the first call. ***FCR is the KING of all call center metrics*** ***because it measures your customer experience (CX) performance, is a key indicator of your operating cost efficiency, and provides you with insights into areas to improve CX and service recovery opportunities.*** No other call center metric provides such great insights into CX performance, cost, areas to improve CX, and service recovery opportunities as FCR does.

The FCR metric has been around for over 25 years. We have learned a lot about the importance of this metric over those years. Initially, the only purpose of the FCR metric was to measure if the call was resolved on the first call. SQM's view is that it is much more than that, and the ***FCR metric should be viewed as a balanced scorecard metric*** ***because it measures service and cost and is the leading indicator for Csat, customer referrals, and retention.*** SQM's opinion is that the Voice of the Customer (VoC) FCR measurement method is the most accurate method for measuring FCR. VoC FCR measurement lets the customer judge whether FCR took place; after all, their opinion is what matters the most. A post-call customer survey should be used to allow the customer to be the judge of whether FCR took place.

The average call center has 70% FCR performance, which means 30% of customers have to call back because their first call was not resolved. The average call center's cost per call is $8.82, and based on VoC survey results, the typical customer has to call in 1.4 times to get their call resolved.

Cost per call resolution calculation is the cost per call multiplied by the average number of calls to resolve. The average call center's actual cost per call resolution is $12.35 (i.e., $8.82 x 1.4). The average world class call center has 82% FCR performance, which means only 18% of customers have to call back because their first call was not resolved. For world class FCR call centers, the customer has to call 1.1 times to get their call resolved. The actual cost per call resolution for a world class FCR call center is $9.70, which is 21% lower cost per call resolution than the average call center. Put differently, world class FCR call centers have similar costs per call compared to an average performing FCR call center. The real difference is that world class FCR call centers have fewer customers who make repeat calls to resolve their inquiries, which substantially lowers their cost per call resolution compared to the average FCR performing call center.

Of the 500 leading North American call centers that SQM benchmarked, only 5% are at the world class VoC 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. Most call centers that consistently measure FCR using a post-call customer survey method improve. In fact, ***SQM's research shows that 70% of clients who consistently measure their FCR utilizing the post-call customer survey method improve year-over-year.*** The FCR gain by these call centers ranges from 1-20%. Call centers that implement VoC FCR measurement can expect an average FCR improvement of 3% or better, and in most cases, FCR improvement takes place within 90 days.

For every 1% improvement in FCR, a call center reduces its operating costs by 1%. A 1% improvement in their FCR performance equals $286,000 in annual operational savings for the average midsize call center. Suppose a call center performs at the call center industry average FCR of 70%. It is essential to understand that, potentially, 30% of customers will have to call back because their issue was not resolved on the first call. Improving FCR 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.

When using ***VoC to measure FCR, a call center can expect an average ROI of 450% and a payback period of less than 3 months.*** For example, a high-quality VoC FCR program costs approximately $30 per agent per month and generates $135 in operational savings per agent per month on average, representing an ROI of 450% for the year. SQM has developed an ROI calculator to assess your call center's potential operational savings for every percentage point increase in FCR and the great ROI opportunity you have for using VoC FCR. This helpful tool only takes a few minutes to get your personalized ROI projection.

ROI Calculator ▶

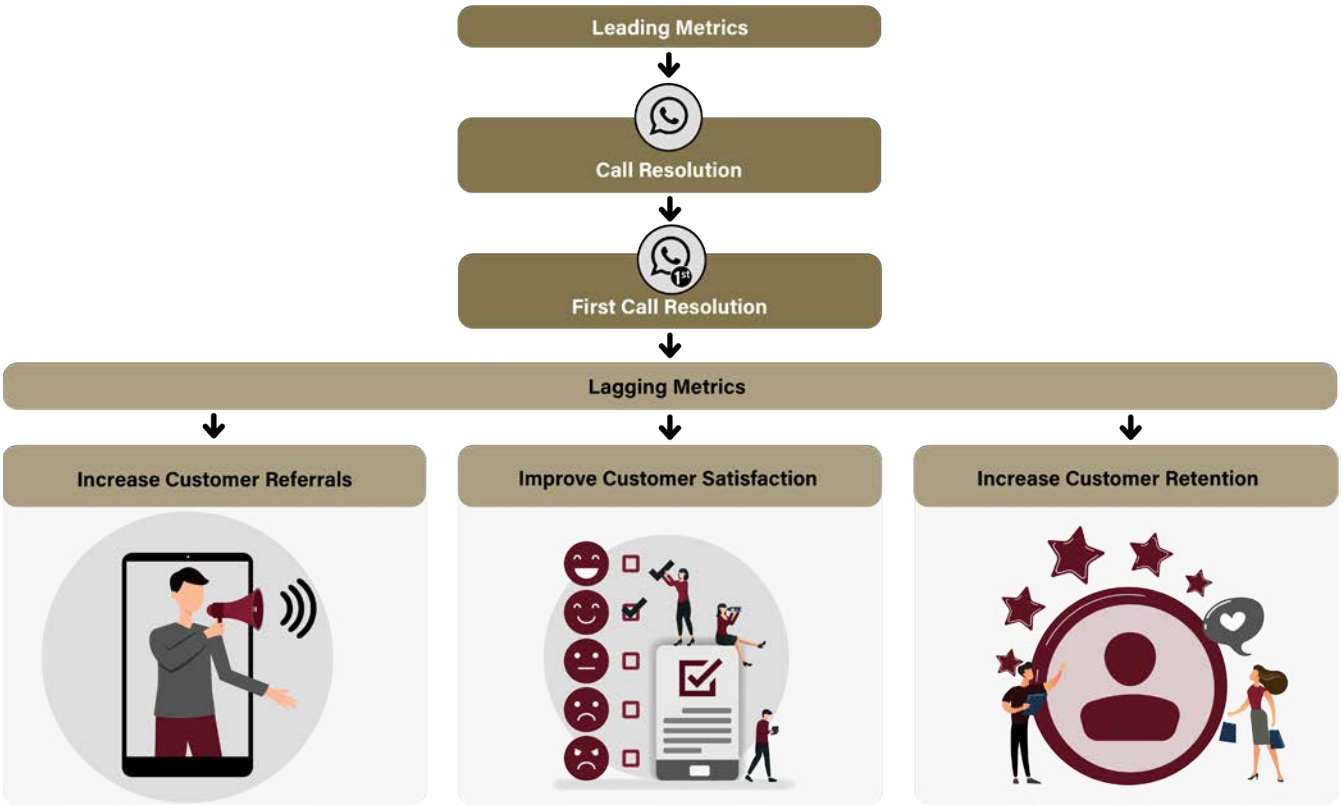
Figure 1 shows the relationship between leading and lagging indicators based on CX when calling a call center. Based on call center CX, SQM's research shows that call resolution and FCR are leading indicators for customer satisfaction (Csat), referrals, and retention business outcomes. Put simply, for customers to continue to do business with or recommend the organization to others due to their call center experience, the call center must achieve high levels of call resolution and FCR performance.

SQM's research shows ***for every 1% improvement in the VoC FCR, there is a 1% improvement in Csat.*** FCR and Csat's one-to-one relationship would indicate that FCR is a strong driver for achieving high Csat.

SQM research shows that ***"every 1% improvement in FCR increases transactional Net Promoter Score®by 1.4 points."*** Furthermore, our data reveal that when a customer experiences FCR, the average Net Promoter Score (NPS) is 55. When a call is a non-FCR call resolution (e.g., took 2 or more calls to resolve), NPS drops to 35. Most alarming is the -27 NPS when an inquiry or problem goes unresolved. Clearly, FCR is a driver for improving transactional NPS.

The bottom line is that Csat, customer referrals, and retention business outcomes cascade from call resolution and FCR metrics. Another essential point is that the statistical correlation between the FCR leading indicator and lagging indicators (e.g., Csat, customer referrals, and retention) is the highest of all CX metrics. Put differently, when FCR performance is high or low, so too are the performances of Csat, customer referrals, and retention.

FIGURE 1: LEADING/LAGGING INDICATORS OF A CALL CENTER CX



Defining First Call Resolution

FCR Definition: ***First Call Resolution is a metric that measures a call center's ability to resolve a customer's inquiry or problem on the first call, with no repeat calls or other contact channels required from the initial call reason.*** This definition of First Call Resolution applies to all external and internal methods used for measuring FCR. Put differently, the customer (i.e., external methods) or the organization (i.e., internal methods) can determine if FCR took place.

FCR is a measure of how effective your call center customer service is, operating cost efficiency, and is used for identifying opportunities to improve operating costs and service. ***Again, no other call center metric provides such great insights into CX, cost, and opportunities to improve as the FCR metric does, hence why*** ***FCR is a balanced scorecard metric.***

Learn How to Calculate FCR Here ▶

Measuring First Call Resolution

A best practice for measuring FCR is to use both internal and external FCR measurement approaches. Our belief is that internal FCR provides a large amount of data for identifying areas to improve, and external FCR provides Csat insights. Using internal and external FCR measurement methods is a powerful approach for understanding performance and opportunities to improve from the organization and customer perspectives. Many call center managers struggle with defining and accurately measuring FCR. The most common reason for this struggle is that FCR and call resolution are not defined, or it is not understood as to how to measure or use internal or external FCR measurement methods, or both.

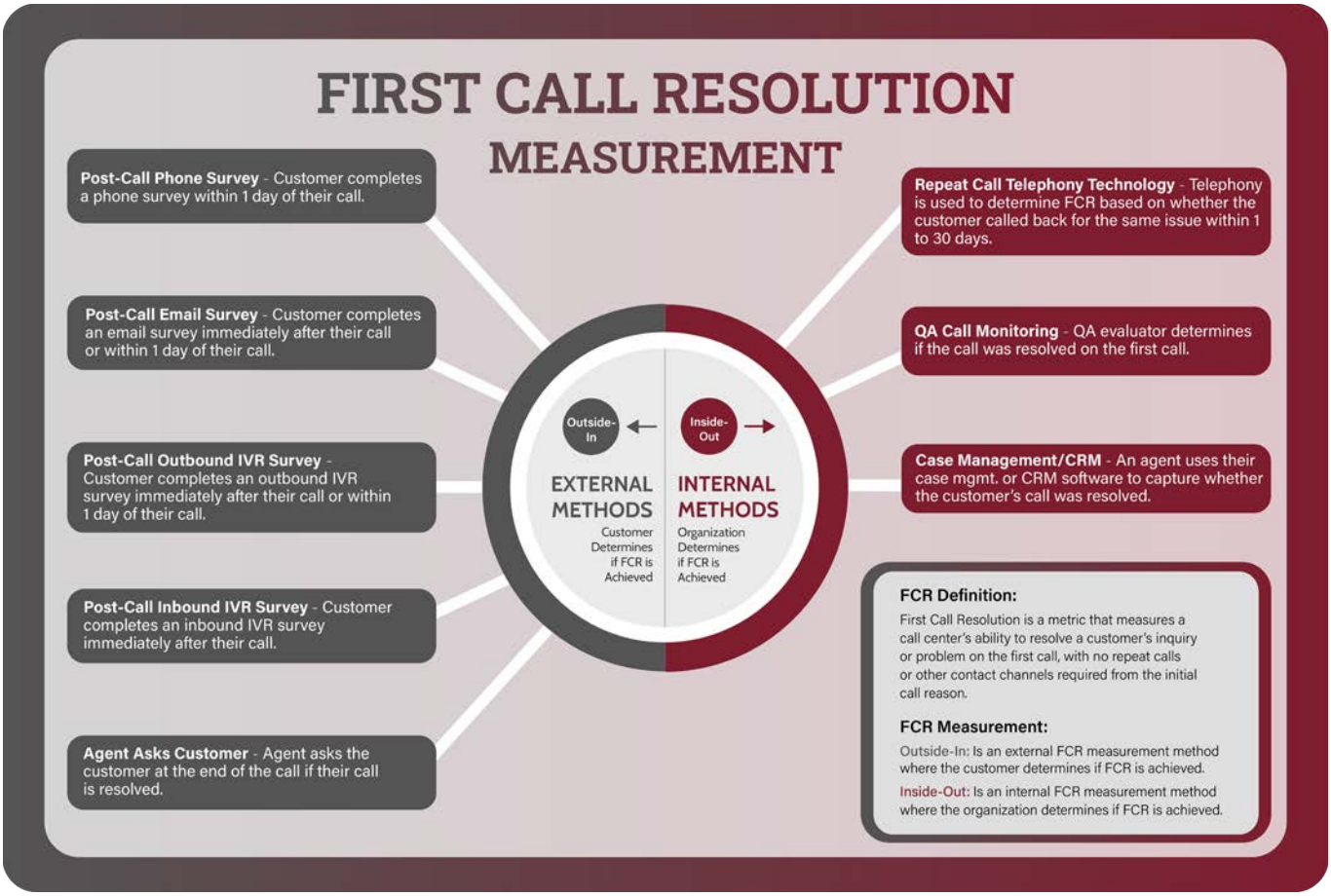
The most popular FCR measurements used are internal FCR methods such as repeat call telephony technology, customer relationship management (CRM), and quality assurance (QA).

Managers should not rely solely on internal methods for measuring FCR. In most cases, internal FCR methods overstate the call center's FCR performance. ***SQM's research shows that call centers using internal FCR metrics report their FCR 10% to 20% higher than their VoC FCR performance, and do not provide Csat insights.*** When internal FCR is appropriately measured, it should trend with VoC FCR. Put simply, when VoC FCR goes up or down, so should the internal FCR method. Again, don't just use internal FCR methods when measuring FCR, let the customer be the primary judge for determining FCR by using a post-call survey. The customer's opinion is, after all, what matters most.

Discover the Top 5 Reasons for Improving FCR ▶

Figure 2 shows and describes the commonly used methods of measuring FCR. The first 5 FCR measurement methods are external options, with the outcome being determined by the customer. The last 3 FCR measurement methods are internal options, with the outcome being determined by the organization. ***SQM research shows that when internal methods report FCR, the call center industry average is 85%. However, when external methods report FCR, the call center industry average is 70%.*** Internal methods over-inflate FCR performance, and therefore, when FCR performance is in the mid-eighties, there is no sense of urgency to improve. Each external and internal FCR measurement method helps the call center measure and improve its FCR performance. If you only use the internal FCR measurement, you will miss out on Csat insights, and if you only use external FCR, you will miss out on large FCR data insights. Therefore, the best practice is to use both external and internal FCR measurement methods.

FIGURE 2: FCR EXTERNAL AND INTERNAL MEASUREMENT METHODS



FCR External Measurement Methods

POST-CALL PHONE SURVEY

In this external method, the customer completes a post-call phone survey within 1 day of their call. ***The post-call phone survey method remains our most popular external FCR post-call surveying method because it provides the best FCR and Csat accuracy and insights of all the survey methods, as well as allowing the customer to determine FCR.*** However, this measurement is the highest cost survey method. This method has been around for many years, and call centers are used to conducting FCR surveys via a phone survey. It also has a high customer survey acceptance rate. The post-call phone survey method is a best practice for goal setting and creating FCR and call resolution accountability at all employee levels because the customer determines if FCR took place. Call centers that use a survey vendor to conduct their post-call phone surveys provide the vendor with customer call lists daily. These lists should include details from the previous day's calls handled by their call center.

POST-CALL EMAIL SURVEY

In this external method, the customer completes an email survey immediately after their call or within 1 day of their call. ***The post-call email survey method is gaining popularity because most callers have an email address, it is a low-cost survey method, and the customer determines FCR.*** The post-call email surveying method can have accuracy issues if the proportion of available email addresses to survey is low. This method is a well-accepted survey practice among all generation groups (e.g., Gen-X, millennials, baby boomers, etc.) and has the highest customer survey acceptance rate of all the survey methods. This method is also a best practice for goal setting and creating FCR and call resolution accountability at all employee levels. Call centers that use a survey vendor to conduct their post-call email surveys provide the vendor with customer email address lists on an immediate or daily basis. These lists should include details from calls handled by their call center.

POST-CALL OUTBOUND IVR SURVEY

In this external method, the customer completes an outbound IVR survey immediately after their call (e.g., within 5 minutes of the call) or within 1 day of their call. ***The post-call outbound IVR survey method is popular because it is a low-cost survey method, and the customer determines FCR.*** Customer survey acceptance rates are higher the closer they are surveyed to when they called the call center. This method has the lowest customer survey acceptance rate of all the survey methods. Call centers that use a survey vendor to conduct their post-call outbound IVR surveys provide the vendor with customer call lists daily, or on a more frequent basis. These lists should include details from the most recent calls handled by the call center.

POST-CALL INBOUND IVR SURVEY

In this external method, the customer completes an inbound IVR survey immediately after their call by having the customer remain on the line to complete a survey. ***The post-call inbound IVR survey method is a low-cost survey method, and the customer determines FCR.*** Of all the survey methods, this method provides the lowest amount of FCR insights. This method can be prone to agent manipulation. Similar to other internal FCR measurement methods, the IVR survey method can substantially overstate FCR. Customer survey acceptance rates are higher for the inbound IVR method versus the outbound IVR survey method. Of all survey methods, the inbound IVR survey method can be the least accurate. However, due to the high acceptance rates and low cost you are able to get larger sample sizes to understand trends.

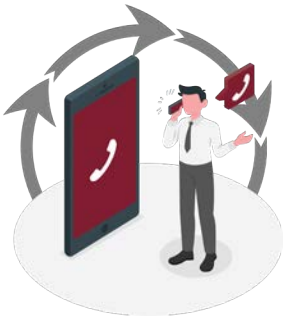
AGENT ASKS CUSTOMER

In this external method, the agent asks the customer if they resolved their call. ***We consider the agent asking the customer method to be an external method because the customer determines if the call is resolved.*** With this method, an agent uses a call resolution question at the end of a call. The two common call resolution options are, "Did I resolve the reason for your call today?" or "Did I give you clear next steps to resolve your call?" In many cases, call centers set a target that the agent asks the customer on 90% of their calls, "Did I resolve the reason for your call today?", and for 10% of their calls, the agent asks, "Did I give you clear next steps to resolve your call?" Many call centers use speech analytics or QA monitoring to measure if the agent asked the customer a call resolution question and accurately documented the customer's response. This method can inflate FCR and call resolution because the customer can be reluctant to be candid about answering the call resolution question to the agent they are speaking with. However, this method can help motivate an agent to go the extra mile to resolve a customer's call.

FCR Internal Measurement Methods

REPEAT CALL TELEPHONY TECHNOLOGY

In this internal method, telephony technology is used to determine FCR based on whether the customer called back for the same issue within 1 to 30 days. ***Of all the FCR external and internal FCR measurement methods, the repeat call telephony technology is the most used by call centers.*** Most SQM clients that track FCR by some type of call telephony technology method have found that internal FCR ratings are overstated. For example, when a customer calls back from a phone number different from the number in the company CRM/information system, it cannot be identified, and as a result, cannot be counted as a repeat call. Also, a customer who did not get their call resolved may never call back, and the organization assumes that their inquiry or problem is resolved. This method can help identify fail points because of the large amount of FCR data but lacks specifics from a customer point of view on how to improve FCR and CX.



QA CALL MONITORING

In this internal method, the QA evaluator determines if the call was resolved on the first call. ***Many SQM clients include the call resolution metric into their QA form and practices to determine FCR and call resolution performance.*** This method can help motivate an agent to go the extra mile to resolve a customer's call. However, this method can inflate internal FCR and call resolution performance. SQM has found that QA evaluators tend to be easier graders than customers when determining if the call is resolved. FCR is very difficult to measure using an internal QA method, and as a result, most call centers do not measure FCR and instead measure call resolution using the QA practice. The QA call resolution metric rating that is primarily used is a binary rating approach. SQM considers the call resolution binary rating approach to be a best practice because it is a 'yes' or 'no' call resolution experience in the majority of cases which helps to remove subjectivity from the QA process. A best practice is to include call resolution and Csat survey results into what SQM calls a customer quality assurance form. This approach makes the QA process much more impactful for improving service and cost becuase it utilizes VoC feedback.

CASE MANAGEMENT / CRM

In this internal method, an agent uses their case management or CRM software to capture whether the customer's call was resolved. ***One of the main advantages of using a case management or CRM system is that the call center can measure FCR and manage CX.*** This method utilizes either case management or CRM software, which are resources that most call centers already have, so it is a low-cost FCR measurement method. The agent determines if the call is resolved or the case is closed, and as a result, this internal method can be prone to agent manipulation. Similar to other internal FCR measurement methods, case management and CRM methods can substantially overstate FCR.

Figure 3 shows the advantages and disadvantages of each FCR measurement method. Of the eight FCR measurement methods, most of our clients use a mix of these external and internal methods. At a minimum, they use two external and two internal FCR measurement methods. The main reason our clients use multiple FCR measurement methods is that each method has advantages and disadvantages, and there is no one perfect FCR measurement method. Therefore, the ***best practice is to use a combination of both external and internal FCR measurement methods.*** When evaluating what FCR measurement methods to use, it is helpful to consider the insights you are looking for and the cost of each measurement method. When evaluating the cost and insight factors, it is important to consider the overall value of each measurement method. For example, a post-call phone survey method has the highest cost but also the highest insights. If VoC insights are important to you, then the value of a post-call phone survey method would be considered high. It is also a best practice to assess FCR trends from both external and internal methods. If external and internal methods are correctly used, the FCR trend lines should be similar. Put differently, if external FCR measurement goes up or down, so should internal FCR measurement. Another best practice is to combine external and internal FCR measurement data to create an FCR-Index. The value of this approach is that it uses VoC and internal data to create a metric that is more stable, accurate, and insightful for measuring and improving FCR.

See Next Page for Figure 3

FIGURE 3: FCR MEASUREMENT METHOD ADVANTAGES AND DISADVANTAGES

EXTERNAL METHODS

FCR Measurement	Advantages	Disadvantages
 **Post-Call Phone Survey**	Customer determines FCR/call resolution The best FCR and Csat accuracy insights of all methods Can make the call center Outside-In focused Identifies dissatisfied customers for service recovery All customers have a phone, so there is no sample biasing Near real-time customer ratings and feedback reporting Provides call resolution accountability/coaching to the agent	Highest cost method to conduct surveys Small sample size compared to internal methods Some customers reluctant to complete a phone survey Customer survey data only available 1 day after the call Having to send call list to survey vendor Requires following government guidelines (e.g., TCPA) Most expensive of all metrics
 **Post-Call Email Survey**	Customer determines FCR/call resolution More FCR and Csat insights than internal methods Low cost to conduct survey allows for larger sample sizes Identifies dissatisfied customers for service recovery Near real-time customer ratings and feedback reporting Provides call resolution accountability/coaching to the agent Highest survey completion rate of all survey methods	Small sample size compared to internal methods Customer feedback is limited Email addresses not available for everyone Customer survey data only available 1 day after the call Having to send email list to survey vendor Requires following govt. guidelines (e.g., CANSPAM) More expensive than internal methods
 **Post-Call Outbound IVR Survey**	Customer determines FCR/call resolution More FCR and Csat insights than internal methods Low cost to conduct survey allows for larger sample sizes Identifies dissatisfied customers for service recovery All customers have a phone, so there is no sample biasing The most accurate IVR method for measuring FCR Provides call resolution accountability/coaching to the agent	Small sample size compared to internal methods Customer feedback is limited A limited amount of survey questions can be asked Some customers dislike automated surveys Having to send call list to survey vendor Requires following government guidelines (e.g., TCPA) More expensive than internal methods
 **Post-Call Inbound IVR Survey**	Customer determines FCR/call resolution More FCR and Csat insights than other internal methods Low cost to conduct survey allows for larger sample sizes Identifies dissatisfied customers for service recovery Inbound call, no outbound dialer required Do not need to consider government regulations (e.g., TCPA) Provides real-time customer ratings and feedback reporting	Of all survey methods, this is the least accurate Can be prone to agent manipulation Small sample size compared to internal methods Customer feedback is limited A limited amount of survey questions can be asked Some customers dislike automated surveys More expensive than other internal methods
 **Agent Asks Customer**	Customer determines call resolution Creates agent ownership for call resolution Low cost for FCR and Call Resolution data Can be linked to QA evaluations	Agents dislike asking call resolution script Agent can manipulate outcomes Customer might not be candid with the agent Customer satisfaction feedback is limited

FIGURE 3: FCR MEASUREMENT METHOD ADVANTAGES AND DISADVANTAGES

INTERNAL METHODS

FCR Measurement	Advantages	Disadvantages
 Repeat Call Telephony Technology	FCR data is automated, and no vendor is required Low cost for FCR data Can complement VoC FCR data for trending purposes Can use large data sets to identify FCR fail-points Large data sets can be reported out monthly	The organization determines if the call resolved Can conflict with VoC FCR data Can substantially overstate FCR (e.g. 10 - 20%) Does not provide FCR or Csat improvement insights Can make a call center Inside-Out focused
 QA Call Monitoring	Utilizes current QA program Provides call resolution accountability/coaching to the agent Can incorporate FCR VoC data into the QA form Provides FCR organizational insights that customer cannot Low cost for FCR/call resolution data	QA evaluator determines if call resolved Can substantially overstate FCR (e.g. 10 - 20%) Without VoC, there is a low impact on improving FCR QA can create employee dissatisfaction Can make a call center Inside-Out focused
 Case Mgmt. / CRM System	Utilizes current CRM system Low cost for FCR data Provides call resolution coaching to the agent Can report out open and closed cases Can complement VoC FCR data for trending purposes Provides FCR organizational insights that customer cannot	Agent determines if call resolved Can conflict with VoC FCR data Can substantially overstate FCR (e.g. 10 - 20%) Does not provide FCR or Csat improvement insights Can make a call center Inside-Out focused Can be prone to agent manipulation

Want to Improve FCR? ▸

What is a Good First Call Resolution Rate?

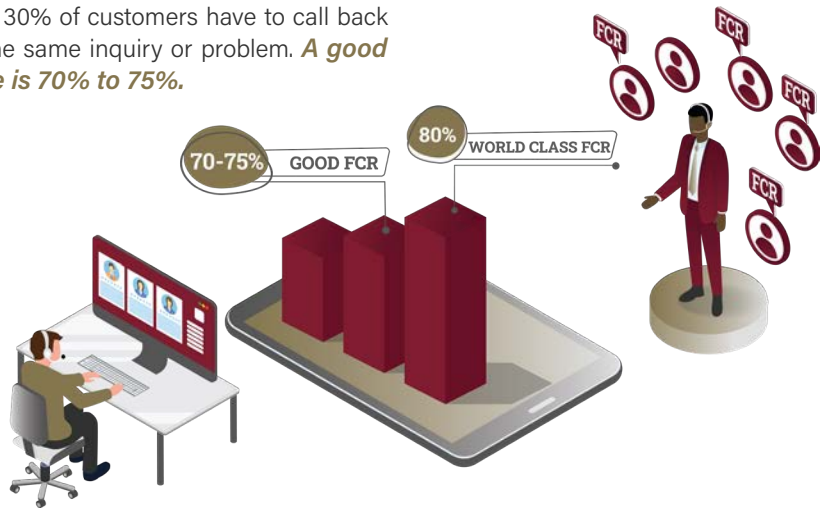
At SQM, we benchmark the FCR rate with over 500 leading North American call centers annually and have been conducting FCR benchmarking studies for 25 years. Our Voice of the Customer (VoC) FCR benchmarking research is one of the most extensive research studies of FCR performance.

For our VoC FCR benchmarking studies, all call center participants must provide SQM a list of all calls they handled to ensure the customer surveying is a random sample of all calls their call centered handled. Making all calls eligible for a customer survey ensures that the FCR rate is accurate. This approach also allows us to benchmark the call center's FCR rate against their specific industry, the call center industry as a whole, and world class call centers.

SQM's research shows that when an organization uses external VoC FCR measurement methods (e.g., post-call survey, etc.), ***the call center industry average for FCR rate is 70%***. This means that 30% of customers have to call back the organization about the same inquiry or problem. ***A good first call resolution rate is 70% to 75%.***

Of the 500 leading North American call centers that SQM benchmarks, only 5% are at the world class VoC 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.

Most call centers that consistently measure FCR using a post-call customer survey method improve their FCR rate. In fact, SQM's research shows that 70% of clients who consistently measure their FCR utilizing the post-call customer survey method improve year-over-year. The FCR gain by these call centers ranges from 1-20%. Call centers that implement VoC FCR measurement can expect an average FCR improvement of 3% or better, and in most cases, FCR improvement takes place within 90 days.



How to Calculate FCR Rate

Once you have chosen the data-gathering criteria, you must decide how you will calculate the FCR rate. Below are the best practices for calculating external and internal FCR rates. The external post-call survey measurement method is used to calculate the FCR rate. At SQM, we consider the VoC FCR measurement and calculating method to be the most accurate method for measuring FCR. VoC FCR measurement lets the customer judge whether FCR took place; after all, their opinion is what matters the most.

Internal FCR measurement has limitations, such as if a customer called back with a different call reason not tied to their initial call reason or called back using a different phone number. These scenarios will make the FCR rate calculation less accurate. However, internal FCR measurement can be very insightful for FCR trending and is widely used by call centers.

EXTERNAL FCR RATE CALCULATION

For the external post-call survey measurement method calculation, the FCR rate is based on three survey questions. A call is considered FCR if a customer answers 'yes' to the question, "Was your call resolved?", in 'one call' to the question, "How many calls did you make to resolve your call?", and 'no' to the question, "Did you use another contact channel after you used the call center?"

FCR calculation based on post-survey results example: The total number of customers who said their call was resolved on the first call. No-repeat calls or other contact channels were required about the initial call reason (280) divided by the total number of customers who were surveyed (400) = 70% FCR performance level.

$$\text{FCR} = \frac{\text{Total \# of Customers Resolved on the First Call*}}{\text{Total \# of Customers Surveyed}}$$

INTERNAL FCR RATE CALCULATION

For the internal CRM and telephony technology (e.g., ACD, IVR) measurement methods, the FCR rate is based on whether the customer called back for the same issue within 1 to 30 days. It might be helpful to use different timelines based on call reason. For example, a claim call that requires the fulfillment department to conduct some investigation work might need 30 days to determine if FCR was achieved, but a status inquiry call might only need 5 days to determine if FCR was achieved.

FCR calculation based on telephony technology results example: The total number of calls resolved on the first call. No-repeat calls or other contact channels were required about the initial call reason (7,000) divided by the total number of unique customer transactions where no prior calls were made about the initial call reason (10,000) = 70% FCR performance level.

$$\text{FCR} = \frac{\text{Total \# of Calls Resolved on the First Call*}}{\text{Total \# of First Calls**}}$$

* Total # of customer/calls resolved on the first call refers to the total number of calls resolved with no-repeat calls or other contact channels required about the initial call reason.

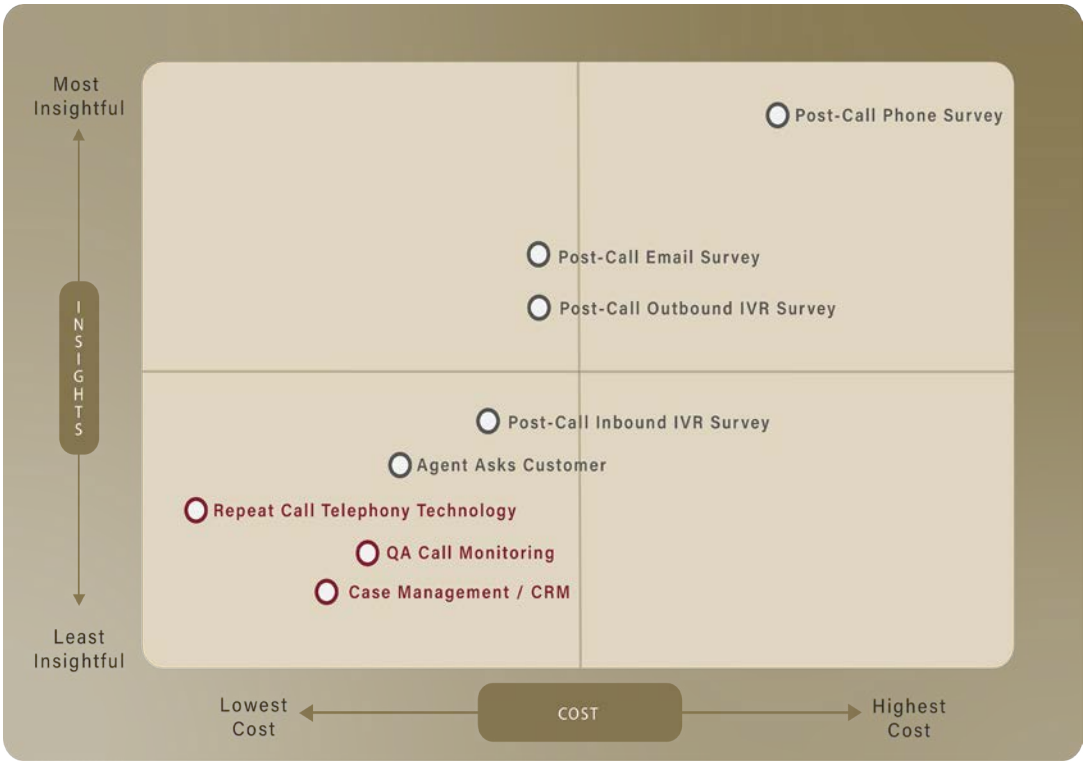
** Total # of first calls refers to the total number of unique customer transactions where no prior calls were made about the initial call reason.

FCR Measurement Methods Insights and Cost

Figure 4 shows a quad map for FCR measurement methods based on CX ***insights***, ranging from most to least insightful and ***cost***, ranging from highest to lowest cost. The post-call phone survey method is the most insightful of all the external and internal methods for FCR accuracy, Csat, and FCR improvement opportunities. However, this method has the highest cost. Even though the post-call phone survey method has the highest cost, it provides the highest value of all the FCR measurement methods due to its accuracy for measuring FCR and insights for improving FCR. The email survey has the highest survey acceptance completion rate of the external survey methods and the second highest for FCR Insights. The advantage of external email and outbound IVR survey methods is that they are accurate, provide good insights for Csat, and can identify opportunities to improve. The inbound IVR and agent asks customer methods are less insightful than the other outbound survey methods because they positively skew results. When external FCR measurement methods are used, it is considered an Outside-In operating practice because the customer determines if FCR is achieved. Many call centers that use external methods use a mix of two to four survey methods to maximize each method's strengths.

The advantages of the repeat call telephony technology, QA call monitoring, and case management/CRM internal FCR measurement methods are lower cost than all the other methods. These methods provide a large amount of data to measure FCR and identify failure points. The disadvantages of these methods are the limited insights and specifics for FCR and Csat improvements from a customer point of view. With internal FCR methods, the organization determines if FCR has taken place. Put differently, internal FCR measurement methods are an Inside-Out operating practice. Most call centers use two external survey methods with one or two internal FCR measurement methods to measure and manage FCR performance.

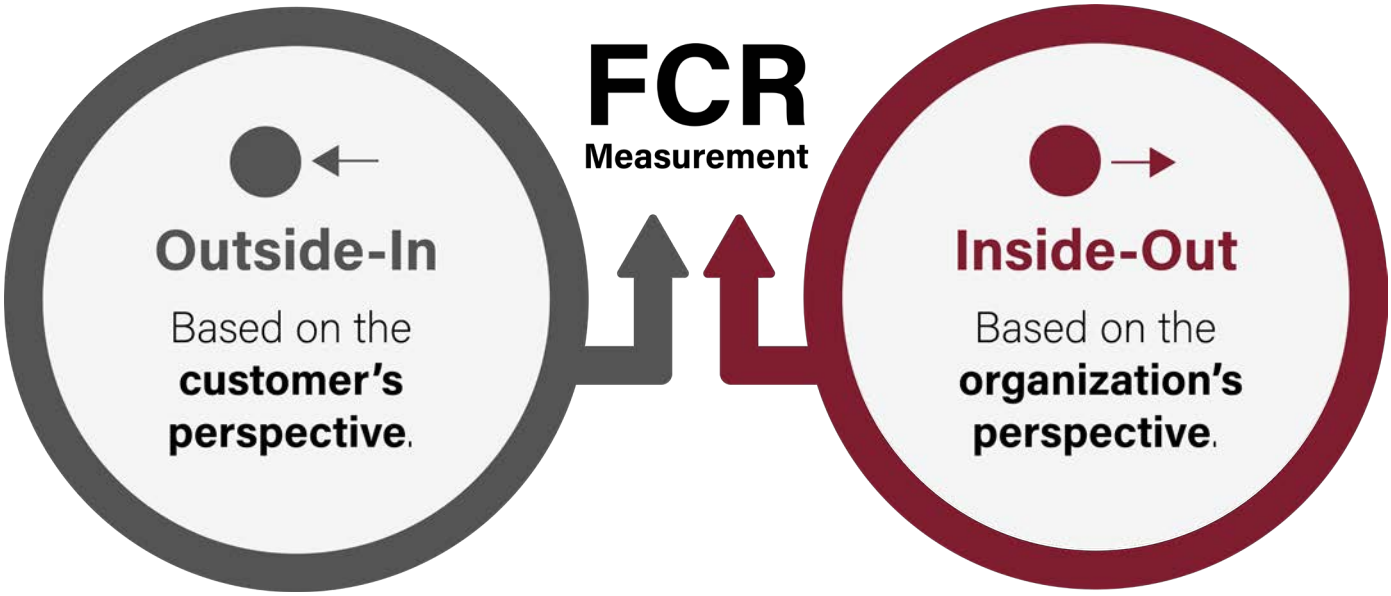
FIGURE 4: FCR MEASUREMENT METHOD QUAD MAP



Outside-In vs. Inside-Out

Figure 5 shows that from a high-level perspective, Outside-In FCR measurement is based on the customer's perspective versus an Inside-Out FCR measurement which is based on the organization's perspective. Many call center managers struggle to measure FCR accurately and identify opportunities to improve. It has been SQM's experience that there are significant differences between Outside-In and Inside-Out FCR measurement. FCR measurement practices guide decision-making for assessing, designing, and improving people, process, and technology practices to meet or exceed the customer's needs. Many call center managers believe that their primary FCR measurement practices are an Outside-In approach. However, based on SQM's extensive experience evaluating organizations' FCR measurement practices, only 25% of call centers use Outside-In FCR measurement practices to design and deliver people, process, and technology practices to meet the customer's needs. In reality, most call centers are somewhere between the Outside-In and Inside-Out FCR measurement practices with a skew towards Inside-Out.

FIGURE 5: OUTSIDE-IN VS. INSIDE-OUT FCR MEASUREMENT



The Inside-Out approach uses internal measurement, business instincts, and internal thinking to design and deliver people, process, and technology practices to meet the customer's needs. An internal focus for measuring and improving FCR can be beneficial but improving FCR is less likely, or to a lower rate, without customer feedback. Our research shows that FCR improvement is more likely, and higher when the VoC Outside-In measurement approach is used.

SQM's extensive research and experience show that most decisions on measuring or improving FCR are heavily based on the Inside-Out approach. The downside with primarily using internal FCR measurement methods, business instincts, and internal thinking for making decisions to improve FCR is that, in most cases, decisions are mainly influenced by personal biases, assumptions, groupthink, and are not based on CX feedback.

Furthermore, SQM's experience is that many managers are not motivated to improve FCR when their internal FCR is 10% to 20% higher than VoC FCR. An internal perspective can lead to over-confidence about the call center's people, process, and technology efforts on positively impacting FCR and CX, especially if you believe your internal FCR performance is high. Furthermore, managers can lose their objectivity and be very defensive, especially if there is a different viewpoint, even if it is a customer's perspective. Some managers are not interested in the customer perspective because they think they know more about the organization's products and services than customers do. It has also been SQM's experience that some managers do not want to report out a lower VoC FCR because they think it will be viewed poorly on them.

For the Outside-In approach, external measurement based on customer feedback is used to design and deliver people, process, and technology practices to meet the customer's needs. The Outside-In FCR measurement practice requires the call center to be customer-centric. Call centers using this approach incorporate customer feedback into all aspects of their operating practices. With the Outside-In FCR measurement practice, the customer determines FCR. With the Inside-Out FCR measurement practice, the organization determines FCR. Arguably, the Outside-In FCR measurement practice is the better of the two FCR operating practices. Most frontline customer interfacing employees prefer the Outside-In FCR measurement practice and want the C-level to commit to this practice. In other words, frontline employees are not an obstacle for the Outside-In FCR measurement practice; instead, the obstacle is at the C-level or senior management level. It is essential to state that when SQM assessed the call centers that were performing at a good to world class FCR performance rate, the majority of them had an Outside-In FCR measurement practice.

SQM's CX research data reveals that 92% of call center executives agree that improving CX is the most critical call center initiative. Again, for every 1% improvement in VoC FCR, there is a 1% improvement in CX satisfaction. Put simply, FCR drives higher CX satisfaction. Given the importance of VoC FCR for being the metric that matters the most for measuring call center CX and cost performance, it is difficult to understand why most call centers do not measure VoC FCR. Less than 30% of call centers use a VoC post-call survey approach to measure FCR. Perhaps the low VoC usage is due to the lower cost of using internal FCR measurement methods (e.g., repeat call technology, CRM, QA, etc.) or competing metrics. At SQM, we think the main reason why VoC FCR has lower usage than internal FCR is that most call center managers use an Inside-Out FCR operating practice, including an internal FCR measurement approach. Clearly, there is an opportunity for call centers to use Outside-In operating practices using external measurement methods for improving FCR.

To enhance the FCR improvement focus, it is helpful to use external and internal data. ***When using external and internal FCR data, it is a best practice to start with the external data because it is an outside-in perspective.*** If you start your FCR improvement focus with the internal perspective, you may never factor in voice of customer data insights, which tend to be lower FCR ratings, and can be different FCR improvement opportunities. Put simply, you could be working on the wrong FCR improvement opportunities because you could be working on failure points that are important to the organization but not the customer.

Combining FCR External and Internal Measurement for an FCR-Index

To get the most out of FCR and call resolution measurement, a call center could combine external and internal methods for measuring both FCR and call resolution. Alternatively, a call center could use external and internal measurement methods separately. Using the measurement methods separately helps to validate the results to ensure they trend in the same direction. However, it does not leverage the synergy you can get from combining both the external and internal FCR measurement methods. Each FCR/call resolution measurement method can provide different insights and accountability for measuring and improving FCR/call resolution performance. A best practice for combining external and internal data is to use an index such as an FCR-Index (FCR-I), or a Call Resolution-Index (CR-I). The benefit of combining these methods is that the internal methods provide a large amount of data to measure FCR or call resolution and to identify failure points. The external FCR or call resolution measurement methods provide insights into customer journey satisfaction and specific opportunities to improve, whereas internal FCR/call resolution measurement methods do not. Most importantly, the FCR-I approach stabilizes the FCR data, which provides management more confidence in the accuracy of the data.

External FCR is calculated by determining the number of customers who experience FCR divided by the total number of surveyed customers. The VoC FCR is based on survey results of 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?" For external call resolution, it is the same approach, with the difference being that customers are asked whether their call was resolved, but how many calls it took to resolve their call is not used to determine call resolution results.

Internal FCR is calculated by determining whether a customer made an additional call within 15 days before or after a particular call. This calculation is based on repeat call telephony technology that determines if the customer called before or after a particular call. Similarly, internal call resolution is based on repeat call telephony technology but is calculated by determining whether a customer made an additional call within 15 days ***after*** a particular call. The 15 days used for the FCR-Index and Call Resolution-Index calculation can be changed based on aligning it to VoC FCR or call resolution results (e.g., 1 to 30) days.

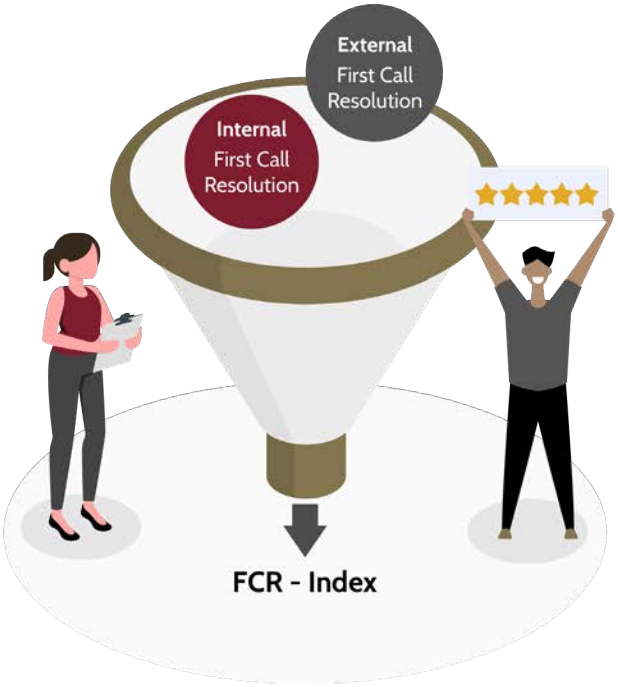
Combining external and internal data into an index can be used to create accountability at all levels. ***The FCR-Index is used to create accountability at the manager and support position levels (e.g., work-force managers, trainers, etc.). The Call Resolution-Index is used to create accountability at the agent and supervisor position levels.*** Agents should not be accountable for the FCR-Index because it is not fair to hold agents responsible for a call that came in for the same reason prior to the call they are handling. After all, it was the prior agent that did not resolve the call, and therefore, the customer had to call back leading to a non-FCR interaction. Agents do not want to be held accountable to FCR when they have no control over how prior agents handled the calls.

Figure 6 shows an illustration of the FCR and Call Resolution Indexes calculated using a weighting of 60% external data to 40% internal data. For example, if external FCR or call resolution is 70% x 60% (weighting) = 42%, and internal FCR or call resolution is 85% x 40% (weighting) = 34%, the weighted FCR-Index would be 76% (42% Internal FCR + 34% External FCR).

FIGURE 6: FIRST CALL RESOLUTION - INDEX

First Call Resolution - Index (FCR-I)

The First Call Resolution Index combines Internal First Call Resolution and External First Call Resolution into a single measure.



External - FCR is calculated by determining the number of customers who said their "call was resolved and in one call," divided by the number of customers who were surveyed.

Internal - FCR is calculated by determining whether a customer made an additional call within 15 days before or after a particular call.

Note: First Call Resolution-Index (FCR-I) and Call Resolution-Index (CR-I) are based on the same calculation (i.e., external FCR or call resolution % x 60% weighting + internal call FCR or call resolution % x 40% weighting)

The benefit of combining external and internal data to create accountability at all levels is that internal data helps make FCR and call resolution results more stable and helps identify failure points. Furthermore, it helps with leveraging high sample sizes of internal data while maintaining the benefit of VoC external data. There is great value of combining external and internal data into FCR and call resolution indexes for goal setting and accountability purposes. The value is that employees appreciate that both the organization and customer perspectives are used to provide an accurate, stable, and actionable understanding of the agent's CX performance.

SQM considers it a best practice to have a higher weighting for external data when calculating FCR and call resolution indexes. The main advantage of weighting the FCR-Index with a skew towards the customer's perspective is that it sends the message that the customer's view is what matters the most.

First Call Resolution Improvement Goals

Many managers can relate to the business adage, "what employees are held accountable to, improves." Most call center managers are always looking for ways to improve service and cost. As previously mentioned, FCR is a driver of Csat, lower operating costs, and higher customer retention. Most SQM clients have FCR and call resolution performance goals for which they are held accountable. The FCR metric is a better metric for measuring performance goals than the traditional Csat metric because FCR focuses on service and cost, whereas Csat focuses only on service. Also, for improving FCR and call resolution, the line of sight tends to be more objective, whereas improving Csat tends to be more subjective.

Vice presidents (VPs), directors, and managers should be held accountable for FCR performance at the call center level. It is also a best practice to have call center support positions (e.g., work-force managers, trainers, etc.) to be held accountable for FCR performance. Management level and above are responsible for the people, process, and technology practices, and therefore, should be held accountable for FCR performance. Agents should be held accountable for their call resolution performance and not for FCR. The reason for this is that if a customer is calling back about the same issue, the agent handling the call-back cannot be held responsible for the previous agent's failure to resolve the customer's call.

In other words, it was the responsibility of the first agent to resolve the customer's call on the first call. Because of scenarios like this, agents can only be held accountable for call resolution and not FCR. For this same reason, supervisors should also be held accountable for only call resolution, not FCR. Given that agents report directly to supervisors, both positions should have call resolution as their accountability metric.

The team, line of business (LoB), or call center average should be the minimum FCR or call resolution expectation for call center employee performance goals. FCR improvements do not come easily. The average FCR improvement for the 70% of SQM tracking clients that improve their FCR performance year-over-year is 2%. So, ***making moderate improvements in FCR (1% to 4%) and call resolution (1% to 2%) are the performance goals most often used by SQM clients. Only 5% of SQM tracking clients are able to achieve 5% or higher annual FCR improvement.*** Again, the call center industry average for FCR is 70%, and call resolution is 88%. Because the call resolution percentage is higher than FCR, it makes it tougher to improve.

Figure 7 shows FCR and call resolution performance goals for management, supervisors, and agents. Moderate or high FCR and call resolution performance improvement goals are based on higher performance than the minimum expectation, with the minimum expectation typically being current or past performance.

FIGURE 7: FIRST CALL RESOLUTION IMPROVEMENT GOALS

FCR Measurement ROI Business Case

At SQM, we are often asked what the ROI business case is for FCR measurement. The best practice for measuring FCR is to use both internal and external FCR measurement approaches. The reason for this is that the ***internal FCR method can help identify what areas to improve because of the large amount of FCR data but lacks specifics on what the customers want you to improve. The external FCR method is the best for FCR and Csat insights of what customers want you to improve of all FCR measurement methods, and the customer determines FCR, but typically this method has a smaller sample size.***

Traditional operational metrics such as service levels, speed of answer, talk time, wrap-up time, calls handled per agent, abandon rates, occupancy rates, and call monitoring scores are all critical metrics. Call centers should continue to use these metrics. However, traditional operational metrics are not proxies for measuring the call center's customer service effectiveness and the efficiency of their operating costs. 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 agent increases but FCR drops.

Given the importance of FCR for measuring call center quality and cost performance, it is difficult to understand why all call centers do not measure FCR consistently and use that information to improve their FCR performance.

Again, SQM research shows in most cases, call centers who measure FCR through the VoC method consistently improve their FCR performance year-over-year.

Some call center managers believe it is a big mistake to focus on one metric at other metrics' expense. SQM is not of that same belief. ***As previously mentioned,*** **the FCR metric should be viewed as a balanced scorecard metric** ***because it measures service and cost and is the leading indicator for Csat, customer referrals, and retention.*** Furthermore, FCR is widely considered the only key performance metric that provides a balanced view (service and cost) of a call center's overall performance. The bottom line is that there can never be too much focus on FCR, the KING of call center metrics.

Furthermore, pages 19-21 illustrate the business case for measuring and improving FCR. The customer and employee data in these pages is based on SQM's 25 years of conducting FCR research, and our expereince working with leading North American call centers.

REDUCE OPERATING COSTS

For every 1% improvement in FCR, you reduce your operating costs by 1%.

- For a call center performing at the FCR industry average of 70%, potentially 30% of customers will have to call back because their issue was not resolved on the first call.
- For the average call center, it takes 1.4 calls to resolve a customer's inquiry. For 30% of customers who do not achieve FCR, it takes 2.5 calls to resolve their inquiry.
- Repeat calls represent 23% of the average call center's operating budget, which is an enormous opportunity to reduce a call center's operating costs.
- For the average midsize call center, a 1% improvement in their FCR performance equals $286,000 in annual operational savings.

REDUCE CUSTOMERS AT RISK OF DEFECTION

98% of customers will continue to do business with the organization as a result of achieving FCR.

- If the call was unresolved, 23% of customers expressed intent not to continue to use the organization's products and services due to their call center experience.
- The savings from preventing customer defections can be five times greater than FCR improvement in operational savings.
- For many call centers, retaining customers represents the most significant opportunity to add real value to their organization.
- Resolving calls is the key to reducing customers at risk.
- For every 2% improvement in FCR, there is a 1% improvement in call resolution, helping the call center retain customers.

IMPROVE CUSTOMER SATISFACTION

For every 1% improvement in FCR, there is a 1% improvement in Csat.

- FCR is the metric with the highest correlation to Csat out of all the call center internal or external metrics.
- The absence of FCR is the strongest driver of customer dissatisfaction.
- Csat (top box response), on average drops 15% every time a customer has to call back to resolve their initial call.
- If a customer had to call in three times to get their call resolved, their Csat would be 30% lower than a customer who had their call resolved on the first call.
- On average, 14% of customers describe their call as a complaint call. For every 5% improvement in FCR, you reduce your complaint calls by 1%.

IMPROVE EMPLOYEE SATISFACTION

For every 1% improvement in FCR, there is 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 stress level is very high for the agent who handles the second or third call when a customer's issue was unresolved on the first call.
- Increasing FCR improves both Esat and Csat. Consistently resolving inquiries on the first call can increase Esat substantially.
- Most call center managers understand that high Esat can provide high Csat/FCR, but high Csat/FCR can drive high Esat.

INCREASE OPPORTUNITIES TO SELL

When a customer's call is resolved, the cross-selling acceptance rate increases by 20%.

- SQM's research shows that the customer's needs must be resolved before the agent has earned the right to move on to any type of sales activity.
- If the agent cross-sells before the inquiry or problem is resolved, the customer typically becomes irritated.
- The customer can feel that the organization is pushing its needs rather than serving the customer's needs.
- Focusing on business needs versus customer needs can cause the fundamental customer relationship to be undermined.

IMPROVE NET PROMOTER SCORE®

For the average call center, every 1% improvement in FCR increases transactional NPS by 1.4.

- The average call center FCR is 72% and their NPS is 48
- FCR and NPS have a high correlation of .64
- NPS goes down by 18 points for each additional call made
- NPS is 64 points when customers resolved their call in one call (FCR)
- NPS is 40 points when customers resolved their call in two calls
- NPS is - 10 points when customers call is unresolved on the first call

About SQM

Since 1996, SQM has been a leading provider of call center FCR and CXM software. *my*SQM™ FCR Insights software is explicitly designed to help call centers improve FCR, deliver great customer and employee experiences, and lower costs. Our SaaS-based subscription platform captures, benchmarks, and reports customer and employee survey data, and internal FCR data from individual agents to the organization level. SQM differentiates itself from our competition based on *my*SQM™ FCR Insights software, research, best practices, and awards. These practices are specifically designed to help call centers improve FCR, provide great customer and employee experiences, and reduce operating costs.

FCR Research

SQM has been conducting call center FCR benchmarking studies for almost 25 years. The FCR research shown in this whitepaper is based on SQM conducting FCR benchmarking studies with over 500 leading North American call centers annually for the last five years. The FCR results are based on phone surveys with over 8 million customers who used a call center and online surveys with over 125,000 agents who work in a call center. To our knowledge, SQM's call center FCR benchmarking study is the largest of its kind in North America.

About the Author

Mike Desmarais is the Founder and CEO of SQM Group. Mike received his MBA from Athabasca University in 2020. Mike has over 25 years of FCR and CXM experience working with leading North American companies. Mike is the inventor of VoC First Call Resolution measurement and has written five thought-provoking call center CXM books (i.e., World Class Call Center, First Call Resolution, FCR Best Practices, One Contact Resolution, and most recently One Contact Resolution 2nd Edition.) Mike is a popular call center industry FCR thought leader with over 20,000 LinkedIn followers and is considered one of the most influential contributors for FCR and CXM in the call center industry.

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