



Delivering Service in The Cloud

How to Compete and Win with Today's Connected Customers

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Executive Overview

Success in business today is harder than ever to achieve. Customers are becoming more demanding, competition is increasing, change is accelerating, and costs must be controlled. And, all these challenges are intertwined. Businesses do not have the luxury of being able to focus on just one at the expense of progress toward another. Winning, therefore, requires a higher level of agility; coupled with a dedication to improving the velocity with which value is delivered to customers, who are both the source and the subsistence of a company's growth.

It isn't easy. There is an unrelenting demand for growth by senior management, requiring companies to be more effective in keeping and growing the value of existing customers. As the rate of introduction of new products and services increase customer service organizations find it increasingly difficult to stay current with developments and deliver superior service experiences—especially under conditions where budgets are being cut.

But it must be done. Most customers (75 percent) are only willing to give a company one or two chances before bad service forces them to defect to the competition,¹ and they consciously know their power in an economic environment where every sale is a struggle for the company. As a result, customers now expect more attention and better service. In fact, they are receiving both from the best companies that are now focusing on service as a means to sustain long-term customer relationships. For example, in the annual ranking of customer service champs by *BusinessWeek* magazine, customer service scores improved over last year for most of the top 25—but mostly deteriorated among the bottom 25 of the 200 brands examined in the research.²

And it can be done. In this white paper, these and other issues in the changing landscape of customer service will be explored—together with the “Service Cloud,” a practical approach from salesforce.com that uses the power of cloud-computing to not only solve many of the current obstacles faced by customer service organizations, but also to position them to engage in the evolving and expanding world of customer conversations occurring beyond the reach of traditional contact centers within social networking and online communities. The benefits of agility, velocity, and ROI will be documented, together with examples of companies that are realizing these advantages today.

Succeeding with customer service requires agility, enabled and powered by the Service Cloud.

- There is a fundamental shift in the evolution of customer service: in a networked world, customers are now turning to the Web as their primary source to search for answers to their customer service needs. Companies that are not connected to these conversations may be strategically disadvantaged
- The Service Cloud is a means for companies to participate in and learn from all service conversations—whether through a traditional contact center or through emerging social media channels such as Facebook and Twitter.
- The Service Cloud allows companies to be more nimble and adroit by promptly identify trends and issues that are important to customers—and, by converting that customer insight into enhanced customer experiences.
- Key business benefits delivered by the Service Cloud include both short-term profitability through improvements in efficiency and effectiveness, and long-term value of customers through enhanced satisfaction and loyalty.



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The Service Cloud:

A practical approach developed by salesforce.com that uses the power of cloud-computing to solve service issues and join the conversation with connected consumers.

The Changing Landscape of Customer Service

Enhancing customer relationships is a top priority for many companies today,³ and delivering excellent customer service is a proven strategy to successfully achieve the objective. Superior service is not simply emotionally nice for the customer—it is an economic necessity for the company. Customers with good service experiences are more willing to make purchases from and remain loyal to the company (see Figure 1). These business outcomes are of critical importance under any marketplace conditions, but all the more so in today's uncertain fiscal environment.

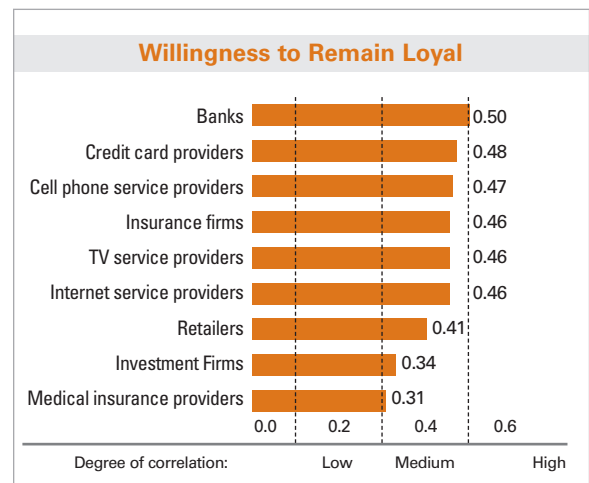
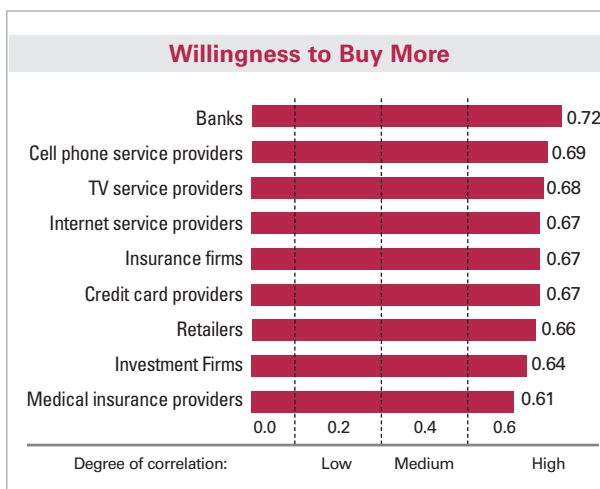
It's not that companies haven't tried. In fact, they have collectively spent billions of dollars on customer service over the years but, unfortunately, it has not had a noticeable overall impact on customers' satisfaction with the company (see Figure 2 on page 4). What do customers want from their interactions with a company? To strengthen the relationship, service personnel need to show genuine concern; to listen attentively; to keep promises; and to use expertise to solve customer concerns.^{4,5} Regrettably, achieving these objectives has been hindered by the use of metrics (e.g., call handle time) that emphasize short-term gain to the detriment of long-term benefit; and by legacy technology that hindered (rather than helped) service personnel in bringing expertise to bear on the customer's problem. It is therefore not surprising that most customers feel disillusioned, disappointed, and disgruntled after customer service agent interactions.⁶

Increasingly, customers are not waiting for circumstances to change. They are, instead, capitalizing on the networked world, relying on friends, acquaintances and like-minded individuals to listen to their issues and to respond with expertise. They are turning to the Web to search for answers to their customer service needs, and to converse with people on social media Websites who are willing and able to assist. "It is commonplace for customers to start their search for service with Google," explains Alex Dayon, Senior Vice President for Customer Service Applications at salesforce.com. "How common? Gartner Research estimates that 50 percent of all support conversations now occur outside of the traditional telephone, email and chat avenues. It is *not* futuristic. It is present day reality, estimated by Gartner to grow to 65 percent by 2012."

"Make service your first priority, not success—and success will follow."
—Author Unknown

Figure 1: Customers with Good Service Experiences are Willing to Buy More and to Remain Loyal

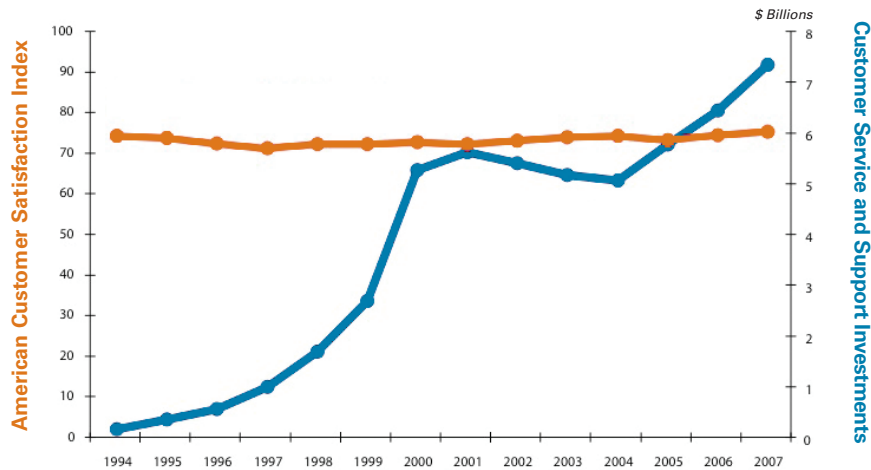
Across a broad range of industries, the correlation is moderate to high between good service and (1) repurchase intention and (2) loyalty.



Source: Forrester Research⁷

Figure 2: Impact of Investments in Customer Service & Support on Customer Satisfaction

Customer satisfaction⁸ has remained largely unchanged, despite increasing investments in customer service and support over the years.



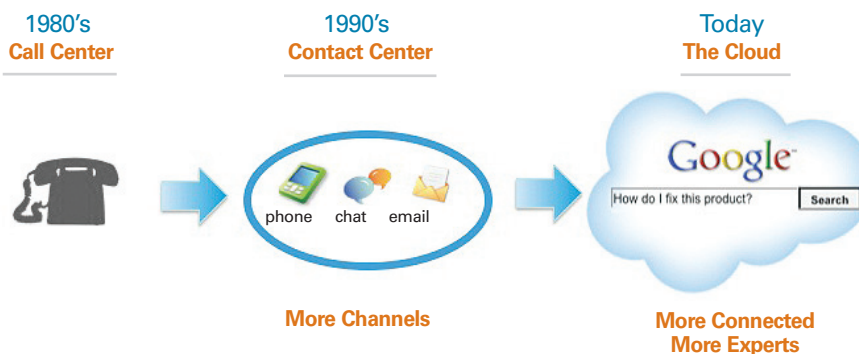
Source: Salesforce.com and Gartner Research

The Web connects customers with experts they would never meet otherwise.

That reality represents the current state of the progression of customer service (see Figure 3), which has evolved from the call center of the 1980's to the traditional contact center of the 1990's. It used to be that customers called a company and talked with experts who could answer their questions. Replaced by interactive voice response systems and outsourced service personnel, costs were systematically controlled in the contact center—but too many customers found it much too difficult to have meaningful conversations or to find the right answer, whether using the telephone, email or chat. Customers are adaptive, however, and today “It’s like déjà vu, all over again,” as Yogi Berra once wryly observed. The Web connects customers with experts they would never meet otherwise, using search to find and connect to user communities, social network sites, blogs and wikis. Try it: type “How do I fix my iPhone?” into Google, and see the wealth of options that instantly materialize for service.

Figure 3: Evolution of Customer Service

While contact centers continue to remain an important component of customer service, half of all customer service inquiries now take place through the use of search or social networks on the Web.



Source: Salesforce.com

In contrast to the call center and the contact center which were driven by the company, today's landscape of customer service is driven by customers themselves. The delivery of service is no longer necessarily provided by a customer service agent of the company—it could be by another customer, by a member of a customer's social network, or even by an employee or customer of a company's manufacturing or marketing partner.

In this new world, the technologies that have historically worked well for traditional contact centers are now having the unintended adverse consequence of separating a company from many of the service conversations that its customers are having on the Web. These technologies, generally on-premise client-server applications, were designed to exclusively support customer service agents operating in the old one-dimensional, serial "customer ↔ company" model; instead of today's new multidimensional, multi-constituency, parallel realm. As a consequence, companies are locked out of these frequent conversations, unable to leverage (and to learn from) the broad expertise of the customer community and unable to keep a finger on the pulse of the priorities of its customers. It's time for a new model. It's time for the "Service Cloud." A new model from salesforce.com that is built on a more evolved technology platform: cloud-computing. A platform that is not only more responsive and cost-effective, but that is inherently more connected to today's customers through other cloud-based channels.

It is time for the Service Cloud!

A model built on cloud-computing that is more responsive and cost-effective than traditional call center technology.

The Service Cloud: Myths and Misperceptions



There are myths and misperceptions about the Service Cloud: what it is, how it is used, and why it is important.

"I don't need to worry about this now." In reality, it is happening already to a significant degree for almost all companies. Today, customers are supplementing the use of traditional channels with social networking sites and Web communities for service, and the trend is clear—the shift will become more pronounced.

"It sounds great, but it's going to cost a lot." In actuality, the Service Cloud reduces costs for companies, both initially as well as on a continuing basis.

"I need to fix the contact center, even before thinking about this." The Service Cloud can help soothe an immediate point of pain by initially focusing on the traditional channels of telephone, email and chat; and most important, position the company well for future expansion into social networks and Web communities when the time is right.

"It's only for B2C companies—not B2Bs." The service needs of business-to-business companies are fundamentally the same as business-to-consumer firms: clients have questions and need answers, and they want to converse with one another.

"It can't integrate with my existing technology and processes." Because the Service Cloud is a complete solution, it can extend whatever system is currently in place (e.g., by adding self-service functionality) and provide a forward-looking migration path.

"Rip and replace will never work in our company." With the Service Cloud, a company does not need to "rip and replace"—it can start, for example, by adding a customer service portal to an existing contact center. When done right, the difficulty and the expense are both minimized.

"I can't afford to add more IT staff." The Service Cloud reduces the demands placed on IT personnel because seamless upgrades and infrastructure maintenance are handled by the vendor, not the organization.

"It will take too long to get started." Deployments of the Service Cloud are often amazingly quick, measured in weeks rather than months.

The Service Cloud

Strengthening customer relationships through superior service requires effective conversation: wherever, whenever and however it is needed by the customer. Customers now live in a connected world where the communication boundaries are blurred and where the traditional avenues of telephone, email and chat are being supplemented with (and rapidly supplanted by) the evolving role of social networks and communities. The *Service Cloud* is a modern vision for joining customers' conversations everywhere they take place. It's built on a cloud-computing platform that enables a company to efficiently participate in and learn from the complete spectrum of all these conversations. It is uniquely able to ensure that productive and pleasant customer conversations can occur with agents of the company, with resources of the company (e.g., self-service knowledgebase or FAQs), with other customers of the company or its partners, and with friends and acquaintances of the customer.

The Service Cloud encompasses the company's traditional contact center as well as its own Web presence (e.g., a company-managed user community or knowledgebase) in addition to external Websites (e.g., Facebook, Twitter). A complete implementation of the Service Cloud enables any customer conversation to happen anywhere, without attempting to constrain the customer to selected channels.

For example, on the Website *My Starbucks Idea* (<http://mystarbucksidea.force.com/>) customers are encouraged to post ideas for improvement or for new products, discuss those ideas through forum postings, vote to identify the best ideas, and see the action that the company has taken as a result. Similarly, the community of Dell computer users can contribute, promote, and demote ideas; and watch the ones that are reviewed and adopted by the company, together with their implementation status on the company's *IdeaStorm* Website (www.ideastorm.com).

Even customers who may not directly participate in these communities benefit because the service knowledge that is generated is public and therefore is accessible through search engines such as Google. The knowledge is exposed to all who may be searching for it, enhancing the ability of customers (and of agents as well as partners) to solve service questions quickly and easily—or, at minimum, to find the Websites internal and external to the company where the conversation can be initiated.

If a company is not running a cloud-based service solution, it is unable to plug into these new and emerging Web-based channels. The breadth and depth of its relationships with customers may therefore be reduced. Equally troubling, however, the company is forfeiting the immediate benefits that the approach can bring to the support of the telephone, email and chat channels in an existing contact center; is ill positioned to migrate into the realm of social networks and communities; and, in total, may therefore be strategically disadvantaged.

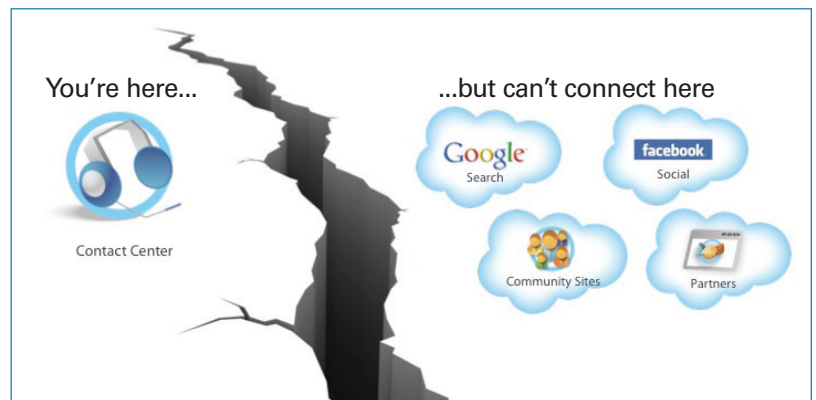
In general, these desirable characteristics (noted in Figure 4 below) are causing spending on cloud services to grow at a rate over five times that of traditional on-premise solutions.¹² More specifically, for customer service and support, Gartner forecasts a compound annual growth rate of 25.9 percent through 2012.⁵ The central and critical reasons for the rapid permeation of the Service Cloud in the landscape of customer service are that it provides a company with agility and with a solid return on its investment.

"The strength of a firm's customer relationships is not only an important economic asset, it represents the sum total of the firm's all other assets."⁹

— Claes Fornell,
Professor at the Ross
School of Business,
University of Michigan

Figure 5: The Customer Service Chasm

While customers are increasingly relying upon social networking sites, Web communities and search for service, many contact centers find themselves separated from this new reality. The Service Cloud builds a bridge between the traditional channels of telephone, email and chat to these evolving avenues.



Source: Salesforce.com

Acquiring Agility and Velocity

Legendary customer service doesn't just happen. It occurs only if a company is able to rapidly shift course in response to changing customer and competitive conditions. It requires *agility*—the capability to be nimble and adroit, and to benefit by converting customer insight into enhanced customer experiences by improving business processes, products, and services at higher levels of velocity.

The Service Cloud enables agility through improvements in pivotal pain points that are obstacles for almost all companies today. Each one of the four time gaps hinders agility and velocity, and incurs both an operational cost as well as a lost opportunity cost for the business.

1. Time from the recognition of the business need to the implementation of the solution

With traditional on-premise customer service solutions, it is not unusual for 6 to 18 months to elapse between the time that a company realizes a change is required to the time that it can actually begin to benefit from its implementation. The delay is typically caused by the need to acquire and provision the infrastructure (e.g., servers); and to configure the applications to fit the precise needs of the business. This is especially true of the integration with multiple back-office systems (e.g., inventory), a task that often necessitates the specialized assistance of highly compensated consultants. Even if these efforts are successful—as defined by meeting the specifications in the requirements document authored at the start of the project—the business conditions will have materially shifted in the interim. Consequently, a newly implemented solution begins its lifecycle in a laggard, trailing position. In contrast, cloud-computing deployments are two to six times faster,¹⁵ an advantage that is recognized by senior IT and corporate managers as a main benefit of the model.¹⁶

"The goal as a company is to have customer service that is not just the best, but legendary."
—Sam Walton,
Founder of Wal-Mart

2. Time from the decision to make a change or install an upgrade to the operation of the increased functionality

Making a change to an on-premise, client-server customer support system is too complicated and expensive for many companies. The task of writing code and passing it through a quality assurance process competes with all other jobs in the queue of an internal information technology department. Even when complete, installing the change into production necessitates bringing down the system, a problematical consideration in today's 24x7 contact centers where any downtime will negatively impact the service experience.

In contrast, when using the Service Cloud, even business users can easily make changes by using a point-and-click graphical user interface to update company-specific metadata. These changes can be deployed into production without scheduled system downtime. Furthermore, these *updates* reside within an architectural layer that sits on top of an underlying code base, only the latter of which is altered when a new release is available. The benefit is that new releases are seamless and transparent and—equally important—do not disturb the existing customizations already made by the company.

The need for creating company-specific alterations to the customer service application can also often be ameliorated by selecting from a library of existing third-party applications that are native to (and thus completely compatible with) the cloud infrastructure. These may include, for example, email campaign management, Web analytics, or workflow management.

3. Time from the occurrence of trends within the customer base to their recognition and monetization by the business

A company is more than customer service—it is marketing, sales, and operations—and each functional area inside the organization should learn and benefit from all the customer conversations that are occurring. The achievement of this goal, however, is difficult when customer service is decoupled from other systems within the company, a problem that is minimized with the

Service Cloud due to its open connectivity to a broad range of systems. Additionally, when systems are in silos, the experience of customers who view the company as a whole may be inconsistent and incoherent, thereby damaging the brand.

Gaining this 360° view of customers across organizational boundaries and systems also extends to conversations that occur across channels. With a majority of customer service conversations moving into the realm of social networks and communities, companies without visibility to those channels will find it difficult to promptly identify trends and issues that are important to customers—not only on an overall basis, but also to specific individuals whose customer service interaction may signal an opportunity (e.g., propensity to purchase another product) or may represent a risk (e.g., likelihood to defect). More complete and robust data—coupled with analytics and reporting—increases the ability of a company using the Service Cloud to identify and capitalize on leading indicators of changes in customer behavior.

4. Time from training on the customer service application to agent productivity

Proprietary interfaces typically found in traditional on-premise customer service platforms require higher levels of training, as compared to the standard and intuitive Web navigation approach (e.g., tabs and hyperlinks) taken by salesforce.com with the Service Cloud. Customer service personnel are already familiar with this form of navigation, due to its similarity to commonplace consumer Web applications. This fluency enhances adoption, and results in higher levels of agent satisfaction and average increases in service and support productivity of 36 percent.¹⁷ When front-line customer service agents are happy with and helped by technology, they are better able to leverage all of the data together with the product or service knowledgebase to deliver higher service levels that result in average customer satisfaction improvements of 25 percent.¹⁷ These issues are magnified for agents in remote locations away from the contact center, where training considerations are even more complex.

All four of these factors—rapid deployment, responsiveness to change, quicker learning, and improved productivity—contribute to building the business case for the Service Cloud. There are, however, yet additional benefits that accrue from the Service Cloud.

The Business Case for the Service Cloud:
Rapid deployment, flexibility, quick learning curve and improved productivity.

Figure 4: The Service Cloud shares technological characteristics that are common to all cloud-based platforms:

- ✓ **Web-based.** A browser is used to access applications (e.g., service and support, sales, analytics) and data.
- ✓ **Scalable.** Resources (e.g., storage) can be increased or decreased as needs change.
- ✓ **Freedom.** Infrastructure is owned and maintained by the vendor, freeing IT to add more strategic value.
- ✓ **Shared.** Resources are shared using a multitenant architecture to achieve economies of scale.
- ✓ **Easy.** Purchasing access to and configuring applications is simplified through the use of easy-to-understand interfaces.
- ✓ **Subscription.** Costs are operating (rather than capital) expenses, with fees based on usage or on a subscription model.

Realizing ROI

Less investment coupled with greater return yields higher ROI with the Service Cloud. In addition to the value of higher agility and increased velocity, companies realize both hard and soft customer service benefits encompassing five principle dimensions.

- 1. Infrastructure.** With the Service Cloud, there is no hardware to purchase or software to manage, and capacity can be adjusted on an as-needed basis without delay. As a consequence, the number of information technology professionals needed for administration is substantially reduced as compared to a traditional, on-premise solution.
- 2. Instruction.** Customer service agents can spend as much as 30 days per year in training. Through the ease of use that is inherent with the Service Cloud, this cost can often be reduced substantially. With agent turnover exceeding 100 percent per year in some companies, the savings are further magnified.
- 3. Intelligence.** With the Service Cloud, both customers and agents have the opportunity to learn from conversations, capturing expertise and saving it into knowledge bases or FAQs or disseminating it within Web communities or on social networking sites. The company becomes smarter about customer needs and issues, and the customers receive information more quickly.
- 4. Interactions.** When customers use self-service, companies save money—as much as 55 percent as compared to agent interactions, according to Gartner.²¹ This benefit increases as the level of adoption of a customer community within the Service Cloud grows. If adoption increases from 10 percent to 20 percent, for example, it can drive a vast improvement in call deflection within the contact center. The reason for this is that there are more useful posts in the community for more users to find through search, even if those same customers are not themselves yet actively engaged in the community. Adoption, in turn, is driven by ease of use: incorporating the user community into a social network, for example, so that it is one click away from a familiar location where customers already spend time; and providing pass-through authentication, so that separate login credentials are avoided.
- 5. Investments.** Unlike traditional customer service solutions, the Service Cloud requires no upfront capital investment due to the pay-as-you-go subscription model. As a consequence, it improves cash flow, aligning the expenditure with the consumption of the service and lowers risk, allowing the company to increase or decrease expense as its requirements dynamically change.

A fundamental reason why companies are moving to the Service Cloud is because their customers' expectations have evolved from phone-based to cloud-based interactions," explains Alex Dayon, Senior Vice President for Customer Service Applications at salesforce.com. "What's great is that this disruption in the world of customer service isn't resulting in increased costs for companies. Contrary to what might traditionally be expected with on-premise solutions, the Service Cloud is driving increased ROI and delivering a true 'win-win' for both companies and their customers."

"Attempting to save money by lowering service isn't wise, because it is more expensive to get a new customer than to keep an existing customer. Saving money by replacing old technology with the Service Cloud solves both problems: it enhances customer service and reduces cost."

— Alex Dayon,
Senior VP for Customer
Service Applications,
salesforce.com



Conclusion

Today, more than 60 percent of C-level executives know that cloud-computing can help a company reduce costs and be more flexible.²⁶ The Service Cloud achieves those important goals, but it does something yet even more valuable: it enhances both the current profitability as well as the long-term value of customers. It does so by strengthening the relationship with customers through the delivery of superior service experiences. The level of trust placed in the company by customers is enhanced and the perception that the company has their best interests at heart is improved; as a result, customers will give more value to the company—both now and in the future. That value consists of tangible purchases together with intangible referrals to friends and family.^{27,28}

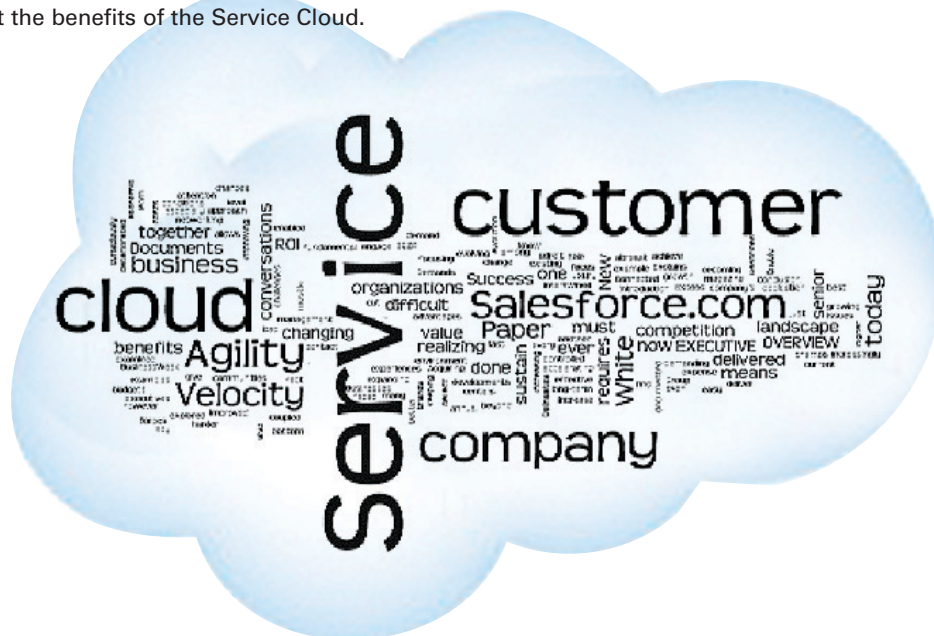
Success does occur at the new speed of service because today—more than ever before—customers are connected: to the company through an expanding set of traditional and emerging channels and to each other through social networking sites and Web communities. Thriving in these times requires agility—both in the mindset of management as well as in the customer service platform used within the company. The future doesn't need to be predicted. It just needs to be enabled, in thought and in deed. ■

“Too many companies cave in to the demand for short-term results, becoming obsessed with current revenues no matter what the cost is in terms of customer goodwill or long-term enterprise value. Executives at such companies let the service department worry about complaints... In effect, what they are doing is strip-mining their customer bases for quick sales and short-term gains, with little apparent regard for the future value of their customers.”

—Don Peppers and Martha Rogers, Ph.D., *Founding Partners at Peppers & Rogers Group*

...And now a word about the cloud

The picture below is a visual representation of the text of this white paper. We used Wordle, www.wordle.net (a tool available in the cloud) to create this word cloud and illustrate the key points about the benefits of the Service Cloud.





A Salesforce.com Customer

2.7 Million Users Rely on Taleo for Talent Management

In all economic conditions—but especially in challenging times—the effective management of workforce talent is a strategic advantage for organizations seeking to drive improved business performance. Workforce cost is the largest category of expense for most organizations, and ensuring the maximum return from investments in human capital is a business imperative for companies of all sizes in every industry. Taleo provides on-demand products and services to over 3,900 customers around the globe, enabling these businesses to better manage their portfolio of talent assets through: (1) assessment, including analytics and workforce planning; (2) acquisition, involving sourcing, selecting and onboarding; (3) development, including performance management and career planning, and (4) alignment, involving goals management and reporting.^{13,14}

Business Challenge: Over 2,700,000 users rely upon Taleo for talent management, and their ongoing satisfaction with support services is a goal that the company pursues passionately. At the highest levels in the organization, executives routinely review customer service metrics to ensure that users' expectations of service quality are met or exceeded. Prior to adopting salesforce.com, however, Taleo was hindered in its pursuit of excellent service due to separate on-premise systems for sales and for support.

Results: "We went from a reactive environment to one today in which our company now has a single view of each customer across service, sales and marketing," explains Olivier Bouchard, Director of Support Operations at Taleo. With over 200 users, the new cloud-native system connects with seven data sources and provides an integrated customer service portal for users of the on-demand Taleo application. "With one click, a user is now able to easily submit, inspect, and report upon service incidents," notes Bouchard. "As a consequence, about 80 percent of incidents are submitted through our service portal, reducing the demand for (and expense of) contact center representatives, all without sacrificing quality."

By using a flexible, cloud-computing system, Taleo is better positioned to serve its customers today and to enhance the level of those services tomorrow.

The portal also provides real-time information, allowing Taleo to maximize the efficiency and effectiveness of support personnel and to drive customer satisfaction. "We have 32 routing rules, based on agent skills; and 18 queues for different categories of incidents," Bouchard explains. "By examining our dashboard to monitor response and resolution times together with incident volume—and by running SLA (i.e., service level agreement) reports—we can prioritize and focus upon the most critical support requests."

Visibility into the mix of support services used by customers allowed Taleo to differentiate its levels of service into "standard," "enhanced" and "premium" offerings, each at different price point. "We are now better equipped to match the mix of support services to customer-specific needs—and, to drive incremental revenue as a result," says Bouchard.

In addition to the customer service portal, Taleo also provides a dedicated support portal for its

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business partners—for example, companies that perform recruitment advertising or employee background screening services on behalf of Taleo. A third portal is used internally at Taleo to manage all of the support requests from one part of the organization (e.g., production) to another (e.g., technical services).

The company-wide impact of the new system extends to the research & development, production, and marketing functions of Taleo. “Every new product development initiative and every product release is guided by insight into the needs of our customers obtained from service,” notes Bouchard.

The agility of Taleo is further enhanced by its ability to easily modify the system. “If we want to expose a database field such as escalation status to our customers, it simply involves altering one configuration setting,” explains Bouchard. Taleo is also tapping into salesforce.com's AppExchange, a marketplace of cloud-computing business applications that can quickly extend the functionality of the system.

What's Next: “We are not only excited about our accomplishments to date, but also about our future plans,” says Bouchard. These plans include the possibility of creating a customer community, in which peer-to-peer conversations among the users of Taleo can occur; adding live chat to the customer portal; and integrating Taleo's partners more completely and transparently into the service experience. By using a flexible, cloud-computing system, Taleo is better positioned to serve their customers today and to enhance the level of those services tomorrow.

Secrets to Success

Taleo has implemented a number of best practices in order to leverage the power of the Service Cloud.

1. Maintain a single view of the customer across sales, marketing and service interactions
2. Provide access to information to the front line staff—so they can use it in real time
3. Integrate partners into the information sharing process
4. Leverage insights and learnings across all parts of the organization including R&D, production, marketing
5. Offer differentiating levels of service based on customer value and need
6. Review customer service and satisfaction metrics routinely and act on the results



A Salesforce.com Customer

Flexibility and Customer Insight Help HomeAway Soar to New Heights

In the past year, more than 40 percent of leisure travelers booked (or considered booking) a vacation rental¹⁸—and HomeAway is at the forefront of this growing trend. The company lists more than 400,000 vacation rentals across 121 countries on its Websites (including, among others, HomeAway.com, VRBO.com, and VacationRentals.com). Private homeowners and property managers gain marketing exposure and expertise by listing their rentals with HomeAway for an annual subscription fee, while travelers can search these listings for free to find and book accommodations.

HomeAway.com is recognized as one of the best travel sites by both Kiplinger's *Personal Finance*¹⁹ and *BusinessWeek*²⁰ magazines. Achieving this level of customer delight did not happen accidentally. It requires a dedication to service, and an ability to be agile in response to the changing marketplace. By using salesforce.com, the company is able to effectively deliver excellent customer service.

Business Challenge: While HomeAway has hundreds of thousands of customers and travelers generating thousands of service inquiries per month, its support organization is small relative to other companies with comparable loads. Through service automation, the company is able to scale while maintaining the alignment of the cost model to the business. Steve Davis, Vice President of Global Technology and Hosting Operations at HomeAway provides an example. "We are analyzing the text of service inquiries to automatically place owner and traveler questions in the right queues." "When a company is unable to correctly categorize the issues of its customers at the time they are received, then it is forced to prioritize them equally and work using a FIFO (first in, first out) method," says Kevin Embree, HomeAway's Vice President of U.S. Sales & Service. "Our goal is to move from appreciative customers who are satisfied that we answered their questions to amazed customers who are delighted with how quickly we solved their issue including providing additional ideas that enhance their inquiries and bookings."

Today, every change that takes place is synchronized worldwide every 15 to 20 minutes

Execution: The foundation for a flexible solution began with the initial design and configuration. "Using the object model of salesforce.com we were able to build out a structure of how we *do* business at HomeAway—not how another vendor thought we should do business," explains Steve Davis, Vice President of Global Technology and Hosting Operations at HomeAway. For example, a single customer may own many rental properties, each property may be located in a different country, and each may be listed on more than one of the company's branded Websites.

Considering that complexity from the beginning has also facilitated the expansion of the business through acquisitions, because there is a high degree of underlying similarities for service among acquired companies. "The challenge of acquiring and integrating competitor's—large Websites throughout the world, each of which operated as an independent entity—into a single framework has been facilitated by salesforce.com," notes Davis. Today, each change is synchronized worldwide every 15 to 20 minutes, so all customer service representatives around the globe have an up-to-date snapshot of customers and property listings.

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This integration also grants HomeAway management visibility in to services issues occurring across brands in real time; facilitates the diagnosis of the problems, and allows targeted and timely responses to enhance customers' experiences. "We can get answers back to customers in minutes rather than days—sometimes in an automated manner, such as responding to simple account questions through auto-triggered emails," notes Embree. Not only does such speed enhance the service experience and simultaneously reduce cost, it also allows the company to focus on the more important issues. "The more time we can spend as a vacation rental consultant rather than a service representative, the more our property owners are going to be successful and satisfied," says Embree.

Insight into the mix of service inquiries also allows HomeAway to prioritize its product roadmap and thereby improve the customer experience. "Many customer service organizations manage using anecdotal data," explains Embree. "HomeAway, in contrast, knows the number of cases and the time per case for each type of problem, and therefore can calculate the corresponding amount of money by problem type we are spending on service." Consequently, management knows the pain points on which the service budget is being spent, the upside financial potential for addressing each and the best plan forward.

Secrets to Success

HomeAway has implemented a number of best practices in order to leverage the power of the Service Cloud.

1. Provide a level of service that transforms appreciative customers into amazed customers
2. Learn from service inquiries to drive product innovation
3. Synchronize systems so that customer service reps have up-to-date information
4. Make service a management focus so that resources are spent where they make the greatest impact

Impact: Because its customer service is both efficient and effective, HomeAway is able to identify and monetize additional sales opportunities. "When appropriate, we not only solve a customer's immediate service needs, but we may also suggest additional functionality that makes managing their vacation rental home a lot easier—such as our reservation management system that enables owners to send online invoices and accept online payments," notes Embree.

The cloud-native capabilities of salesforce.com mean that HomeAway can be powerfully agile. It provides a global platform that accelerates productivity improvements and innovation, and—most important—enables the company to deliver helpful, friendly and effective service to every customer, every time.

Q&A with Don Peppers

Customer-Focused Business Strategy Leader

Don Peppers, Founding Partner, Peppers & Rogers Group, shares his insights about the Service Cloud



Q: Customers are increasingly using social networking sites and Web communities to obtain answers to their service questions. What's new (and old) about this trend?

A: What's new is that customers are leveraging the cloud in an innovative manner for self-service—a purpose for which it is well suited, but for which it was never intended. It is not only that customers are now connected through the Web—it is the emergence and growth of an online “culture of generosity”²² in which individuals are creating and sharing content for no reason other than to be helpful one another.

What's old is that this form of self-service assistance has gone on forever. Consider, for example, a carpenter whose tool fails while working on a job. The first thing he or she would naturally do is ask fellow workers on the job site if they have encountered this problem previously and whether they have a recommended solution. That approach is successful when a team of people are working in close physical proximity and collaborating. Today, however, more teams and more collaboration are occurring virtually among people who are physically dispersed and infrequently in close physical proximity to one another. The underlying model is the same, but the service conversations are now occurring on Facebook or through Twitter.

Q: Does the collective contribution of many customers examining and responding to a service request provide a benefit?

A: Yes. Carly Fiorina once observed that for a company to be successful, it must “harness diversity of thought. Yes, diversity of people, diversity of background, diversity of experience, diversity of skills. But most important, diversity of ideas.”²³ The same concept applies to successful customer service. The diversity of problem-solving approaches present within the members of a social networking site or Web community will result in excellent solutions. It is the “Diversity Trumps Ability” theorem²⁴ in practice.

Q: If a company does not participate in those new service conversations; is there a risk that it will increasingly be out of touch with the interests and issues of its customers?

A: Yes. Although a voice-of-the-customer program has been used in traditional contact centers to keep a finger on the pulse of the customer, this and similar techniques may become less effective as more of those conversations move to social network sites and Web communities. A company that doesn't participate in those new channels will not be able to effectively listen and learn from its customers, a precarious predicament in today's rapidly changing competitive environment.

Q: What rules should a company follow when it does engage with its customers in conversations on social networking sites or Web communities?

A: First and foremost, be honest and transparent. If a company has committed a mistake, admit and apologize for it.

Second, a company must take responsibility for its actions. “Yes, but” responses will not be as successful as “Yes, but the fault was with our supplier.” Taking responsibility is difficult in a litigious society in which lawyers often rule, but it is in the company's best long-term interests. Customers do not expect perfection, but they do expect reasonable and straightforward explanations for failures in product or service quality, delivered with a human touch.

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Salesforce.com

salesforce.com is the enterprise cloud computing company. The company's portfolio of Salesforce CRM applications, available at <http://www.salesforce.com/products/>, has revolutionized the ways that companies collaborate and communicate with their customers across sales, marketing and service. The company's Force.com platform (<http://www.salesforce.com/platform/>) enables customers, partners and developers to quickly build powerful business applications to run every part of the enterprise in the cloud. Based on salesforce.com's real-time, multi-tenant architecture, Salesforce CRM and Force.com offer the fastest path to customer success with cloud computing.

Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by acquiring, retaining, and growing profitable customers. As products become commodities and globalization picks up speed, customers have become the scarcest resource in business. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering a superior 1to1 Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus customer-facing resources to improve the performance of their marketing, sales and service initiatives. For more information, visit www.peppersandrogersgroup.com

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With over fifteen years of marketing experience and advanced study in cognitive psychology, research methodology, and statistics, Thomas Lacki, Ph.D., is privileged to contribute to the creation of higher value solutions through best thinking for the clients of Peppers & Rogers Group. In the role of Senior Advisor, Peppers & Rogers Group Faculty, he leverages his own expertise in understanding individuals behaviorally and analytically to achieve measurable marketing results today, and to elevate the practice of one-to-one marketing tomorrow. Lacki has shared his insights with conference audiences throughout the world, has published research about CRM, and serves on the editorial board of an international marketing journal.