Reinventing Customer Service[i]

How T-Mobile achieved record levels of quality and productivity

by Matthew Dixon

Summary: Customer service jobs are notoriously joyless, and callers' experiences with reps can be just as unsatisfying. But T-Mobile has a new operating model that's making both employees and customers happier.

There are no rows of service agents robotically responding to random calls as quickly as possible. Instead, T-Mobile relies on co-located, collaborative teams of reps who manage specific accounts in a given locale, with a focus on autonomous problem solving. Reps get more-comprehensive training, managers get more time for coaching, and team members are evaluated on group performance as well as individual performance. In addition, teams are authorized and expected to manage their own P&L statements.

The results are impressive: In three years, T-Mobile has dramatically reduced its customer churn rate, cost to serve, and employee attrition and absenteeism. Its Net Promoter Score is way up too. Other companies might likewise benefit from similar efforts to rethink standard industry practices.

Visit any big company, and few departments will be as instantly recognizable as customer service. The call center usually resembles a factory floor, with row after row of reps, headsets on, sticking to the script and rushing from call to call as they try to minimize "handle time." Supervisors walk the floor to deal with escalated calls and, every now and then, take individual reps to a back room to review their performance. While some organizations have invested in improving reps' lot, change has been slow to arrive in the practice of customer service. It's no wonder that turnover rates for customer service workers are among the highest in the business world—27% annually, on average, according to Mercer. The reasons departing employees cite most often include a lack of challenging work, inadequate recognition, limited career paths, and too little flexibility. For customers, the experience is hardly better. They are forced to navigate computerized call trees and, should they get a live person, they're often treated robotically and handed from one agent or department to another if their issue is outside a rep's narrow repertoire.

But walk into a T-Mobile contact center. The service department looks more like the sort of knowledge-work environment you'd expect to see in other parts of the company. Reps sit together

in shared spaces called pods, collaborate openly, and are trained and encouraged to solve customer issues as they see fit. Most remarkably, these teams manage a specific pool of customer accounts, just as a small business would. Unshackled from legacy metrics like handle time, they instead think about the best way to solve each caller's problem and, ultimately, how best to improve customer retention, share of wallet, and loyalty. Customers know how to reach their dedicated teams, and they never have to go through a call tree. Once connected, they find reps who actually know them and can reliably help.

The T-Mobile model is paying huge dividends for the company: In the three years since launch, T-Mobile's overall cost to serve is down 13%, its Net Promoter Score (a measure of customer loyalty) is up by more than half, and its customer churn rate has dipped to an all-time low. Employees are happier too; attrition and absenteeism have plummeted.

The Change Imperative

Over the past decade, T-Mobile's leadership team recognized that although the company's investments in self-service had paid off well, they'd also created a challenge. The basic transactional calls that once dominated call queues—balance inquiries, address changes, new-service activation, and the like—had all but disappeared as customers turned to self-service options for addressing those matters. Now the queue was dominated by the complex and varied issues that customers couldn't solve on their own—a shift that started to put real stress on the company's reps. In response, the leadership team went to the drawing board and, in 2015, set to work reinventing the service organization from the ground up.

The effort was led by Callie Field, the executive vice president of customer care. She and her colleagues wanted to improve reps' ability to handle thorny problems and, in the process, further differentiate the company in a crowded marketplace. Field, who started at T-Mobile in 2004 as a mall-kiosk sales rep and rapidly rose through the ranks, faced an enormously challenging task. "But," she explains, "my team and I had a good sense—just from our own experience as customers and employees—of the kind of service that makes you feel good about a company. We knew we had to create that. And we focused on identifying and eliminating the things that drive customers crazy. In the end, we had a simple goal: customer happiness. We figured happy customers would stay longer, spend more with us, and recommend us to others."

Turnover rates for customer service workers are high—27% annually, on average.

As Field's team devised the new model, members identified four questions to ask in assessing the transformation over time: (1) Are our customers happier? (2) Are they staying with us longer? (3) Are we deepening our relationship with them? (4) Are we making their service experience low-effort? Because the model's success hinged on T-Mobile's ability to engage and mobilize its frontline employees, the same questions would be used to gauge their experience.

Given its goals, Field's team reasoned that a version of the account management model common in B2B settings—in which a dedicated sales and service team manages a pool of customers—could work well in B2C customer service. The question was how to implement such a model at scale across thousands of reps at dozens of locations serving 40 million customers around the clock. At the time, it appeared that such a system had been deployed only in B2B settings where call volumes are low and issues are resolved in hours or days. It had rarely, if ever, been attempted in a high-volume B2C support center like T-Mobile's, which handles millions of calls each month and works to resolve issues in minutes or even seconds.

To tackle this, T-Mobile devised the Team of Experts model, or TEX. This involves cross-functional groups of 47 people who serve a named set of customer accounts in a specific market. The team members are co-located, but they may be hundreds of miles away from their clients. For instance, a team in Chattanooga is responsible for 120,000 customers in Detroit, and a team in Charleston serves a similar number of customers in Philadelphia.

In addition to the reps themselves, each team has a leader, four dedicated coaches, eight technology specialists who can handle more-complex hardware and software issues, a customer resolution expert (who spots trends and helps develop solutions to persistent issues), and a resource manager responsible for workforce scheduling and management.

A Team of Experts

T-Mobile's cross-functional customer-service TEX teams each serve a specific pool of customers in a given market and operate like a small business, with members collaborating to improve financial and operating performance.

32 customer service reps
1 resource manager
4 coaches

1 team leader

1 customer resolution expert

8 tech specialists
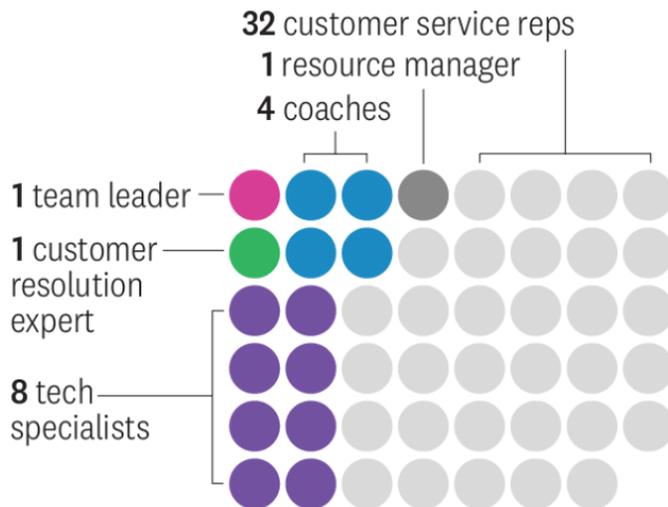
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If call volume is unusually heavy, if a team is shorthanded, or if T-Mobile's centers are closed, backup comes from dedicated outsourced teams that likewise follow the TEX model (or are in the process of adopting it; T-Mobile expects full adoption by early 2019). All teams operate during business hours aligned to the time zones of the communities they support, and customers can reach an account rep directly through a variety of channels—T-Mobile's messaging app, the customer portal on T-Mobile's website, and the phone. And although customers may not connect with the same rep each time, they will always be served by someone from their dedicated team.

That person, moreover, will almost assuredly solve the problem. Each rep is a generalist who can handle everything from billing, sales, and line activation to standard technical-support inquiries. Transfers are rare; the only time a rep will hand off a customer is when an outside vendor needs to address a product issue or, on occasion, when an unusually complex problem requires the help of the team's tech specialists. Even then, the rep will stay on the call to learn how to resolve similar matters in the future.

To ensure that all team members work well together, T-Mobile built collaboration into the model. Teams hold stand-up meetings three times a week to share best practices, lessons learned, and ideas for handling recurring customer concerns. Members also collaborate in real time using an

instant-messaging platform. This allows them to alert colleagues to emerging issues in the communities they serve (for instance, weather events and service outages) and to solicit advice during the course of a customer conversation. To encourage these exchanges, the pods include a central table and whiteboard for huddles and coaching sessions.

Teamwork and Creative Solutions

To encourage collaboration and innovation, the TEX model uses a balanced scorecard that weights both individual and team performance. This is a dramatic departure from typical schemes for evaluating customer service agents, which measure only individual performance, encouraging reps to hoard knowledge and look out for themselves. With the emphasis on team effectiveness, tenured reps have more incentive to share their best practices. As one of T-Mobile's senior account experts explains, "In the old model, it was sink or swim on your own. Now we all spend time helping the less-tenured team members and the new folks coming out of training, to make sure they're successful. At the end of the day, we succeed or fail as a team."

Rewarding Team Performance

Traditional customer-service performance-management schemes measure only individual performance. To encourage teamwork and innovation, compensation for TEX team members is variably weighted according to both individual and team performance.

	TEAM PERFORMANCE	INDIVIDUAL PERFORMANCE
Customer service rep	50%	50%
Senior customer service rep	60%	40%
Coach	70%	30%
Team leader	100%	0%

TEX teams are expected to manage their own profit and loss statements. Field says, "Our team leads used to look at things like handle time and schedule adherence. Now they look at their P&L—are they keeping and growing customer business? Are they reducing calls per account and cost to serve? They're like mini-CEOs running their own businesses." Team leaders now engage in quarterly business reviews with senior managers, much as a business unit general manager reviews financial and operating performance with the CEO. As a result, coaching conversations with reps often focus on the business impact of individual decisions and how a decision for a given customer

will affect that customer's loyalty and the team's financial performance. Such coaching enhances reps' skill sets; one team leader said, "I have no doubt that any of my team members could leave tomorrow and open their own business—and be really successful at it."

With group performance top of mind, account teams are encouraged to come up with innovative solutions to persistent service issues. A team serving Salt Lake City, for instance, noticed unusually high churn among younger customers. A deeper dive into the data revealed that a primary cause was the defection of young Mormons about to head out on their two-year missions, during which time they are prohibited from having a phone. The team determined that although phones are not allowed, missionaries can have tablets. So when customers called to deactivate, reps offered them a tablet for the duration of their mission—a solution that helped the customers retain their phone numbers and accounts for their return. This clever solution generated one of the highest improvements in profitability for that particular customer base—and had a meaningful impact on team members' bonuses.

Similarly, when the company rolled out its T-Mobile ONE Military plan, which provides members of the armed forces with a 50% discount on family lines, TEX members serving communities with heavy military populations thought proactively about managing the effects of the discounted plan on their business objectives. The question was how to balance the obvious customer savings benefit with the potential revenue loss impacting their business goals. The solution: helping customers understand that the savings could be put toward an additional phone line that would keep family members connected. One team migrated 30% of its military customers to the new plan and increased average new-line sales from four per rep per hour to seven—while simultaneously increasing the Net Promoter Score among those customers by five points.

Making It Local

No matter how far TEX teams are from the communities they support, members are intimately familiar with the places their customers live. Teams decorate their workspaces to reflect the markets they serve. The Chattanooga-based team serving Detroit, for example, has decked out its work area with "Motor City" signage and memorabilia. And the Salem, Oregon, pod that serves San Francisco built a Golden Gate Bridge out of Legos. Says a senior rep in Idaho whose team serves San Diego, "We're constantly talking about what's happening there. I've never been to San Diego, but I know what's going on in the local news, where the best place is for fish tacos, and what the surf report looks like for the next few days."

This local connection helps the TEX team members manage community-level situations. For instance, the San Diego team was recently deluged with calls about a widespread outage caused by a local brush fire. "In the old world," one rep said, "I wouldn't have had any idea that this was happening—or that it was happening to more than one customer—so I'd have said, 'I'm really sorry about the inconvenience. Let me submit a ticket to engineering.'" But the new model enabled the rep to deliver a tailored response: "Yes, we're aware that a brush fire outside the city is affecting your service, and we're working on the issue. I've been in touch with the engineers on the ground, and they're working to restore service as we speak. They're telling me it should be up and running within 24 hours."

One leader on a team serving Seattle customers said that local knowledge and connections have enabled his group to deliver the kind of service you'd expect from a mom-and-pop store. "If a customer orders a new device and wants to pick it up in the store, we need to make that as easy as possible. Because I know all the store managers in my area, I can call the local manager and ask that he have the phone ready to go. It makes a big impression when the store manager meets a customer as she walks in and says, 'Hey there—Nick from your Team of Experts called me to say you were coming by. Here's your new phone; you're all set.'"

The Payoff

The new model's business results speak for themselves. In the first quarter of 2018, the company recorded the lowest cost to serve in its history (a 13% decline since 2016). Liberated from legacy metrics like handle time, reps now take a little longer on each call to make sure they've not only solved the customer's immediate issue but also anticipated and addressed in advance issues the customer might call back about. The result: a 21% reduction in calls per account, which more than offsets the longer length of calls.

And because customers are now receiving better service, reps no longer have to issue credits for previous missteps. Such "apology credits" are down 37% across the board. The results are also seen in record levels of customer retention (an all-time low in customer churn in Q1 2018) and increased customer loyalty. Reflecting customers' satisfaction, T-Mobile has been ranked the number one wireless company for customer service by Nielsen for the past 24 months and has received—twice in a row—the highest score ever awarded by JD Power in its rankings of wireless-provider customer-service quality.

Satisfied Customers, Happier Staff

In the three years since T-Mobile introduced its customer service teams, performance has improved on a host of measures.				
71% decrease in transferred customer calls (from 14% to 4%)	31% reduction in calls escalated to supervisors (from 2.9% to 2.0%)	25% drop in postpaid customer churn (from 1.27% to 0.95%)	56% increase in Net Promoter Score (from 43% to 67%)	48% decrease in annual rep attrition (from 42% to 22%)

The company has also seen positive effects among employees, including record highs in rep engagement and record lows in turnover (from 42% annually before the rollout to 22% today). Absenteeism—typically a trouble spot for most contact centers—has plummeted too: Because TEX teams can manage their own schedules and tailor shifts to members' needs, absenteeism has dropped 24%. The four outsourcing partners who have adopted the TEX model have seen an even steeper decline in turnover: Historical frontline turnover levels in partners' call centers had been more than 100% annually; today, average turnover is at 14%—below that of T-Mobile's in-house customer-care centers.

Getting Started

T-Mobile executed this transformation with its existing talent—there was no wholesale revamping of the hiring profile and no mass exodus of frontline staffers who couldn't cut it. Instead, the company found that most reps were up to the task and wanted to do well. What they needed was freedom from the old model that had been holding them back, coupled with the training to succeed in the new world. As Field sees it, "If all you ask people to do is bring down their handle time, they can do that. But if you empower them to do more—to think like a small-business owner who is focused on the customer's happiness and the strategic management of their P&L—they can do that too. And they'll do it really well if you give them the tools and get out of their way."

That said, a wholesale transformation from factory floor to knowledge-work environment hasn't been without challenges. One lesson T-Mobile learned early on is that colocation is essential. Field explains, "We originally thought we could pull this off by setting up virtual teams and leveraging collaboration tools, but it turned out to be easier said than done. We didn't get the level of collaboration we needed, and the teams failed to gel when they were spread all over the country.

So we decided that the teams needed to sit together, which meant investing in a new physical layout for our contact centers."

Although the cost of redesigning the contact center floor wasn't extraordinary ("We knocked down some cube walls," Field said, "and bought everybody better headsets so they could roam"), the company's investment in talent was significant. In addition to modestly increasing pay for reps in recognition of their expanded responsibilities, T-Mobile doubled down on training to help reps transition from a narrow focus on specialized lines of business—such as billing, collections, and tech support—into generalist roles. For new hires, the cost of more training (10 weeks instead of eight) was offset by reductions in ramp-up time. The company also gave managers more time to deliver coaching, which meant increasing the ratio of managers to reps. In the first year of the new model, T-Mobile promoted more than 2,100 employees to management positions, providing commensurate raises and management training. Although those investments were expensive, Field notes that the resulting reductions in cost to serve and the improvements in customer retention and wallet share have delivered an ROI that far surpassed original projections.

However, while most reps embraced the training and gamely transitioned to the team-based model, not all did. As the incentive structure shifted from emphasizing individual performance to rewarding team performance, some reps who had shined as individual workers ended up being frustrated when their rankings dipped as a result of softer team performance. Some balked at the perceived unfairness of the new system, and a few left.

A final word of caution from T-Mobile's leaders: Before heading down this path, companies should consider their cultural readiness. One team leader explains, "We never believed in scripting our people and were always very focused on hiring people who really wanted to deliver great service. So we had the basics, from a cultural and talent standpoint, already in place. That's probably not the case for many other companies." Even for T-Mobile, the leader acknowledged, it took some time for reps to feel comfortable with the level of ownership they were offered: "In the beginning, we told them to make decisions on their own and do what they felt made sense for the customer, but we still had a lot of folks who would put the customer on hold and ask their supervisor for permission anyway."

The Bigger Story

T-Mobile has established itself as the "Un-carrier"—a company not afraid to challenge standard industry practices that it sees as flawed and unfair to customers. It was the first to stop locking customers into two-year service contracts and the first to stop charging usurious fees for exceeding

data limits. As CEO John Legere said in <u>testimony</u> before Congress in June 2018, "We set out to fix a stupid, broken, arrogant industry." The TEX model of customer care is in keeping with that mission.

New Service Technologies Cut Both Ways

While some organizations are leveraging new technologies such as artificial intelligence (AI) to bring greater analytic power and predictability to service interactions, others are using them …

But T-Mobile's service transformation is part of a larger story of reinvention that's been playing out in other corporate functions—at many companies—over the past few decades. HR leaders, for instance, once faced an existential threat from the automation of transactional processes such as payroll and benefits. Progressive HR executives transformed themselves and their departments into strategic partners to the board and the CEO by handing off transactional work to human resource management systems and outsourcing business processes, while simultaneously developing new capabilities such as strategic workforce planning, leadership development, employee engagement, and succession management.

Customer service organizations that emphasize knowledge work haven't abandoned their core function: handling and addressing customer issues. But companies that adopt models like T-Mobile's TEX will be more competitive in an environment characterized by increasingly complex customer issues and high expectations. At the same time, they'll discover new ways to deliver value to employees, customers, and business partners, deepening their relationships across the board.

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