First-Call Resolution: Revisited
Why it still matters most, and how to improve it!

By Mike Desmarais, President, Service Quality Measurement Group

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Introduction

Call center managers are becoming aware of the impact first call resolution (FCR) has on their call center performance. However, most call center managers do not fully understand FCR’s impact on their organization’s performance. In addition, most call center managers struggle with how to measure and improve their FCR performance. SQM’s assessment is based on our 2007 benchmarking study of over 300 leading North American call centers, in which SQM surveyed over 400,000 customers who called a call center and surveyed 22,000 employees who work in call centers. It is also important to mention that SQM has been conducting call center benchmarking studies for 11 years. This article is designed to explain why FCR matters most for impacting a call center’s performance. Also, we will share methods on how to measure and improve your call center’s FCR performance. This article is an updated version from 2006.

Why FCR Matters Most

The question SQM is asked most often is … “what are the most important metrics for measuring and managing call center customer service and cost performance?” The traditional operational metrics such as service levels, speed of answer, talk time, wrap up time, calls handled by Customer Service Representative (CSR), abandon rates, occupancy rates, call monitoring scores, etc are good operational metrics and call centers should continue use them. However, it is SQM’s opinion that traditional operational measures are not proxies for measuring the effectiveness of the call center’s customer service or the efficiency of the call center’s operating cost practices. We believe that use of traditional operational measures as a proxy for call center customer service and cost performance is fundamentally a poor practice. For example, we have worked with many call centers in which the service levels are below their targets but their customer satisfaction is improving. We have also seen the number of calls handled per CSR go up and for those same call centers FCR went down. The measure we believe is most important for measuring and managing call center customer service and cost performance is… you guessed it… FCR.

Listed below are the 5 main reasons why FCR matters most and the business case to use FCR as the key initiative to improve your call center customer service and cost performance.

1. **Reduce operating cost** – if you are running a 68% FCR rating, which is the call center industry benchmark average, you need to understand that 32% of your total call volume is coming from customers who have to call back because their issue wasn’t resolved the first time. In other words, the absence of FCR accounts for 32% of your call center’s operating cost. It is important to
also note that the call center industry average is 1.5 calls to resolve a customer’s inquiry or problem. (see chart 1) This represents an enormous opportunity to reduce your call center’s operating cost.

2. **Improve customer satisfaction** – for every 1% improvement in FCR, you get a 1% improvement in customer satisfaction. FCR is highly correlated to customer satisfaction. In fact, FCR is the highest correlated measure to customer satisfaction of all the call center measures. It is also important to mention that the absence of FCR is the biggest driver of customer dissatisfaction.

3. **Increase opportunities to sell** – when a customer call is resolved you increase the customer cross selling acceptance rate by 20%. SQM’s research shows that customers’ needs must be resolved before the CSR has earned the right to move on to any sort of sales activity. If the CSR cross sells before the inquiry or problem is resolved, the customer is irritated and feels that the organization is pushing its needs, rather than serving the customer. As a result, the fundamental customer relationship is undermined.

4. **Improve employee satisfaction** – SQM research clearly shows that call centers with high employee satisfaction also have high FCR. Conversely, call centers with low employee satisfaction have low FCR (see chart 2). The stress is very high on the employee who handles the second and third call from a customer whose issue wasn’t resolved the first time. We believe that improving FCR improves both customer and employee satisfaction.

5. **Reduce customers at risk** – SQM research shows that if the customer’s inquiry or problem is resolved in the first call only 3% of those customers are at risk to go to your competitors. Conversely, 34% of customers who did not get their inquiry or problem resolved are likely to go to your competitors (see chart 3). Customers that are at risk of going to competitors are a result of unresolved customer inquiries or problems and have the biggest impact on the call center’s financial performance. Most call centers are not aware how much revenue they are losing as a result of the customer’s inquiry or problem going unresolved.
Key Finding: For the call center industry 32% of call volume is coming from customers who have to call back to get their inquiry or problem resolved. Also, the call center industry average is 1.5 calls to resolve a customer’s inquiry or problem.

Chart 2: Employee & Customer Satisfaction Correlation Link

Key Finding: Employee and customer satisfaction correlation is positively linked for high performing call centers and negatively linked for low performing call centers.
**Key Finding:** If the customer’s inquiry or problem is resolved in the first call, only 3% of those customers are at risk to go to your competitors. Conversely, 34% of customers who did not get their inquiry or problem resolved are likely to go to your competitors.

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**Chart 3: Call Resolution Impact on Customers at Risk**

<table>
<thead>
<tr>
<th>First Call Resolution</th>
<th>Two Calls or More</th>
<th>Calls Unresolved</th>
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<tbody>
<tr>
<td>3%</td>
<td>11%</td>
<td>34%</td>
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**Defining and Measuring FCR**

Most call centers are unsure how to define and measure FCR. SQM’s definition of FCR is the... “**Customer’s inquiry or problem is resolved in one call**”. Furthermore, the customer must be the judge of FCR and not call center management. We are often asked what the difference is between FCR and call resolution. The main difference is that for call resolution to occur it might take more than 1 call whereas FCR only takes one call. SQM believes having the customer be the judge of FCR is the best practice. Call centers can use internal FCR measures but these measures are less effective and accurate. Call centers self-reported internal FCR ratings are approximately 20% higher than the customers' FCR ratings. In addition to defining FCR, call centers must know how to effectively measure FCR. Listed below are 7 ways to measure FCR (script, IVR, telephone surveys and the voice menu are the only measurement methods where the customer determines if their call was resolved on the first call).

1. **QA Call Monitoring**… QA evaluators determine if the call was resolved
2. **IVR Surveys**… customer completes an (inbound or outbound) IVR survey and is asked if their call was resolved
3. **Call Backs**… FCR is determined based on whether the customer called back within 2-5 business days
4. **Script**… CSR asks the customer at the end of the call if their inquiry or problem was resolved (Can be linked to QA evaluations)
5. **Telephone Survey**… customer is surveyed within 1-3 days of the call and asked if their inquiry or problem was resolved

6. **Case Mgmt/CRM**… CSR uses their desktop software application to capture whether the customer’s inquiry or problem was resolved

7. **Voice Menu**… customer is asked in the voice menu if this is the first call they have made for their inquiry or problem

The best approach for measuring FCR is to measure and drive accountability from the CSR to the Vice President (VP) level. SQM clients who have experienced the most FCR improvement have created FCR accountability at all levels. In addition, it is important to use multiple FCR methods, not just 1 method, for measuring FCR. Best practice is to use a short 2 to 4 minute IVR survey with a sample size of 5 to 30 surveys per month per CSR. This can be supplemented with 5 to 15 telephone surveys per quarter per CSR. Other FCR measurement combinations can also work effectively.

**Why FCR is so Hard to Improve**

In truth, it really isn't hard to improve FCR if you are customer-focused and you create FCR accountability at all levels. What is difficult for management is accepting the fact that the customer is the only true judge of FCR. Instead, management feels safer clinging to the measures that they know well such as measures of productivity and QA. Managers who feel they are forward thinking and have a FCR measure in place, are surprised when we point out that FCR is not actually in place. FCR needs to be a living, breathing measure from the CSR level through to the VP level to be successful. FCR also needs to have more importance than traditional operational measures and needs to be determined by customers. SQM research shows that when we look at the reasons a customer has to place two or more calls into a call center, the majority of time it is due to something that the CSR did or didn’t do (44%). As an example, the CSR may be unclear or giving wrong information. Examples of organizational issues are policies, field service, billing and claims, which constitute 37% of the reason a customer has to call back (see chart 4). There are two main reasons that make FCR difficult to improve. Firstly, most call centers do not have their customers be the judge if their call was resolved. Secondly, CSRs and managers are not held accountable and rewarded for their FCR performance. Again, given that the CSRs are the FCR primary source of error, it is imperative that your FCR improvement efforts are first focused at the CSR level. It has been SQM’s experience that improving CSR source of error is an easier undertaking than improving organizational source of error issues. Also, many FCR organizational issues tend to be out of the call centers scope of responsibilities.
Chart 4: FCR Source of Error

Key Finding: The CSR is the source of error 44% of the time for the reasons why customers have to call the call center two or more times.

Areas for Improving Why Customers have to Call 2 or More Times

Chart 5 shows the areas for improving why customers have to call 2 or more times for the call center industry. Areas in the “fix these first” quadrant met the criteria of having higher than average frequency and lower than average customer satisfaction for customers who had to call more than 2 times to get their inquiry or problem resolved. The areas that show up in the “fix these first” quadrant are CSRs providing wrong information, CSRs lacking knowledge to properly help the customer and billing issues. It is also very helpful to do deep dive analysis on areas to improve why customers have to call 2 or more times. For example a deep dive analysis for billing would consist of analyzing data on incorrect billing, corrections not done, bill unclear, etc. Fixing the reason why customers have to call 2 or more times is one of the most valuable initiatives that call center management can do to improve their call center customer satisfaction and FCR performance.
Chart 5: Areas for Improving Why Customers have to Call 2 or More Times

Key Finding: The areas that show up in the “fix these first” quadrant are CSR providing wrong information, CSR lacking knowledge to properly help the customer and billing issues. Fixing these areas will improve your first call resolution performance.

Customer Quality Assurance

Our research shows that 95% of call centers use call monitoring, yet very few if any can empirically say that as a result of their call monitoring practices their customer satisfaction has improved. It is SQM’s viewpoint that the new innovation that will take place in the call center industry in the next couple of years will be integrating customer survey ratings into an organization’s traditional quality assurance program. How this will work is for the same call, customers will judge their own experience through a customer satisfaction (live or IVR) survey. Then, the call compliance will be assessed using customer driven metrics assessed by the organization’s QA CSRs using their own call recording system. CSRs like this approach substantially better than traditional QA approach because they find it more meaningful and consider it to be a more balanced approach to measuring their customer service performance. They also find that the coaching they receive becomes more focused on improving each customer’s satisfaction and call resolution experience. SQM results show (see chart 6) that a Customer Quality Assurance (CQA) program is highly correlated to call center overall customer satisfaction (Csat). In fact, the Csat correlation for a CQA program is 54% and the traditional QA program correlation is only 12%. The meaning behind the correlation ratings is that in the CQA program if your CQA ratings go up or down so will your Csat ratings because they are highly correlated. Conversely, with the traditional QA programs, Csat ratings do not
trend up or down with QA ratings so there is no correlation. The call center industry traditional QA program standard deviation is only 2 meaning most QA scores are very similar. The CQA standard deviation is 11, meaning that there can be big differences in CQA scores. The bottom line is that CQA is truly a new innovation that can help your call center improve its FCR and Csat performance.

Chart 6: Comparison of Traditional and Customer Quality Assurance Programs

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<tr>
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<th>Traditional Quality Assurance to Csat Correlation</th>
<th>Customer Quality Assurance to Csat Correlation</th>
</tr>
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<tbody>
<tr>
<td>Correlation Score</td>
<td>12%</td>
<td>54%</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>2</td>
<td>11</td>
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**Key Finding:** Customer Quality Assurance (CQA) program is highly correlated to call center overall customer satisfaction (Csat). In fact, the Csat correlation for a CQA program is 54% and the traditional QA program correlation is only 12%. The meaning behind the correlation ratings is that in the CQA program if your CQA ratings go up or down so will your Csat ratings because they are highly correlated.

**How to Improve FCR**

Only 5% of the call centers benchmarked by SQM are at the world class FCR rating of 80% or higher. Achieving 80% or higher FCR rating typically results in an average of 1.2 calls needed to resolve customer’s inquiry or problem. Again, the average call center FCR rating is 68% resulting in an average of 1.5 calls needed to resolve customer’s inquiry or problem. As you can see, there is a big difference between a world class performing call center and an average performing call center. Listed below are the best practices for people, processes and technology for transforming your call center into a world class FCR call center.

**FCR People Enablers**

*Management*... is committed to improving FCR in their mind and heart and FCR is viewed as the most important measure

*Awareness*... all levels of employees (CSR to VP) are aware of why it is important to improve FCR and are also aware of their ongoing FCR performance
Accountability… all levels of employees (CSR to VP) are accountable for achieving FCR goals

Recognition… CSR to their direct manager level are recognized weekly and/or monthly for achieving their FCR goals

Financial Incentive… CSR to VP financial incentives are at least 50% of the total payout

Resolution Outcome… CSRs take ownership for resolving their own customer inquiry or problem calls by asking the customer if they have resolved their call

Coaching… FCR coaching is provided at the CSR level to the VP level

Hiring & Turnover… new CSR hires are based on having a predetermined FCR profile and call center management focuses on reducing CSR turnover

FCR Process Enablers

Two Plus Calls… call center management evaluates source of error and reasons for two plus calls (see chart 4)

Measurement… FCR is measured weekly and is determined by the customer

Call Escalation… customer’s problem should be attempted to be resolved with first CSR and customer should only explain their problem once and is warm transferred to the tier 2 CSR for call resolution

Call Flow… customer calls are effectively and efficiently managed (i.e. call routing, script, desk top applications, etc) for achieving FCR

FCR Technology Enablers

Intelligent Skill Based Routing… match customer and/or call type with the CSR’s knowledge and skills

Contact Channels… multiple channels accessibility means customers can contact you anytime or anywhere

Call Type Screen Pop-up… CSR receives an FCR screen pop-up script guideline for resolving the customer’s call
Call Wrap-up Resolution... allows CSRs to capture call resolution outcomes and provide FCR and call resolution reporting

Knowledge Mgmt... CSR uses an online knowledge management tool as a resource to resolve customer calls

Virtual Hold... when CSRs are not available customers can leave a message on voice menu and they are called back in sequence in which they called

Verification Self Service... for verification or status update the customer can go either online to get information, or receive an email or IVR call providing real-time verification or status update information

Knowledge Expert Availability... CSRs can rapidly identify knowledge experts’ presence and availability to assist in resolving customer issues in real-time

Customer Relationship Mgmt (CRM)... CSR has access to all customer information and history to assist in resolving customer’s call

Roaming Knowledge Experts... knowledge experts can assist CSRs or customers for resolving calls via presence-based or wireless phone technology

Customer Quality Assurance (CQA)... CSR evaluation is based on combining customer satisfaction and call compliance results for the same call

In Summary

SQM’s research clearly shows that FCR is the call center measure that matters most because it reduces operating cost and customers at risk. FCR also increases opportunities to sell and improves both employee and customer satisfaction. No call center measure has as much impact on call center performance as FCR. SQM’s definition of FCR is the… “Customer’s inquiry or problem is resolved in one call” and that the customer must be the judge of determining if their inquiry or problem was resolved in the first call. Remember, only 5% of the call centers benchmarked by SQM are at the world class FCR rating of 80% or higher. The key to achieving world class FCR rating of 80% or higher is to execute the best practices we identified for people, processes and technology enablers.