The bigger picture: Driving business growth through excellence in customer service



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ABOUT THIS REPORT

The bigger picture: Driving business growth through excellence in customer service is an Economist Intelligence Unit (EIU) report sponsored by SAP. This report examines how the customer service function can support wider business targets and boost growth. The findings are based on an extensive literature review and an interview programme with experts conducted by The EIU between April and May 2021.

We would like to thank the following experts for their time and insights:

- Rebecca Dibb-Simkin, global director of product and marketing, Octopus Energy Group
- Bob De Lange, group president, Caterpillar Inc.
- Luke Jensen, chief executive officer, Ocado Solutions
- Nicolas Maechler, senior partner, McKinsey & Company
- Bharat Poddar, managing director and senior partner, Boston Consulting Group
- Chris Pitt, chief executive officer, First Direct
- Naomi Wheeless, global head of customer success, Square

The views and opinions expressed in this publication are those of The EIU and do not necessarily reflect the views of SAP. Mike Jakeman is the author of the report and Adedayo Bolaji-Adio is the editor.

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INTRODUCTION

Over the past two decades customer service has been transformed from a tangential part of a business to a core capability. Once considered a "nice, fuzzy thing to offer", according to one executive we spoke to, it is now regarded as being of critical strategic importance to how companies plan their future growth.

Our research suggests that there are three main reasons why the customer service has grown in stature during this period. First, there is a strong positive correlation among publicly listed firms between their customer satisfaction scores and their financial performance. The National Business Research Institute, a global survey research and consulting organisation, finds that companies which are able to deliver excellent customer service and position themselves as trusted partners can reasonably expect sales increases of 20% or more in revenue.1 Research by Boston Consulting Group (BCG) also found firms with the highest customer satisfaction scores outperformed the S&P 500 stock market index between 2009 and 2019.2

These findings reflect an increasingly commoditised market landscape, in which a new product or service is not always sufficient for achieving profitability. Quality customer service has thus become a powerful tool for growth as it builds customer satisfaction and loyalty.³ As

Bharat Poddar, managing director and senior partner at BCG, explains: "There is just a huge financial benefit of focusing on customer experience. This is the main reason why almost every large bank and insurance company that we're working with is looking to improve customer experience for their commercial corporate clients." These considerations have increased in importance for all business-to-business (B2B) firms, where customer accounts can run into the thousands or millions and the quality of customer service can mean the difference between growth and stagnation.

Second, by harnessing technological innovations such as machine learning and artificial intelligence (AI) to facilitate more consumer engagement, companies are able to generate vast amounts of data that can help them to spot problems or identify new product lines or market opportunities. As firms have sought to make it easier for their customers to contact and appraise them, they have created a multitude of new channels for communication. For some firms, the public nature of some of these channels, such as social media and review aggregator websites, poses reputational risks. But for those that are already putting the customer journey at the heart of their business, the omnichannel approach has also created huge opportunities to collect data on consumer

¹ https://www.nbrii.com/customer-survey-white-papers/customer-service-drives-financial-performance/

preferences, behavioural patterns and emerging needs. With the help of new data analytics technology, companies are able to identify customer sentiment and convert consumer communication into insights that can inform business strategy.

Third, new technology-led companies such as Amazon and Uber, which were founded with customer experience as their guiding principle, have raised consumer expectations for customer service across the board.

Personalising and tailoring customer service across touchpoints is now a universal requirement. Since platform-based firms encourage a host of individual vendors to offer their services via the company, customer service is what creates the brand identity. In that sense, Amazon is the customer service. The ability of Amazon to deliver almost any product to your door in a matter of hours or quickly tailor its cloud-based services has shifted customer expectations in business to customer (B2C) and B2B industries. Likewise, the fact that an Uber or Lyft driver can meet anyone in moments with just a couple of taps on their phone has enhanced consumer expectations regarding convenience and personalisation. According to Nicolas Maechler, senior partner at global management company McKinsey, consumers are increasingly asking: "If Amazon can do it, why can't my bank?" or: "If my personal phone

provider can treat me well, why can't my main supplier at work?"

Although there is widespread agreement that providing a strong customer experience is necessary to remain competitive and that it can provide insights and opportunities for new business growth, there is no clear consensus on how to get there. This paper takes in academic research, interviews with senior executives with decades of experience and deep-dives into companies to highlight how businesses are leveraging customer service to inform and support their growth strategies. In the forthcoming sections we review recent trends in the use of customer experience to support business targets, examine what developments are coming down the pipeline, and suggest how companies can leverage new customer engagement strategies to enhance their competitiveness.



RECENT TRENDS AND DRIVERS OF STRATEGIC CUSTOMER SERVICE

To grow in increasingly regulated and competitive markets, firms tend to focus on introducing innovative products, upgraded services or targeted marketing campaigns.

Although these are important drivers of growth, as Chris Pitt, chief executive officer of First Direct, an internet based retail bank, notes, "competitive advantage around products and features can be eroded in a matter of weeks."

Accordingly, in recent years, leading firms have recognised that excellent customer service is crucial for staying ahead of the competition as it provides a competitive advantage that other firms may find difficult to replicate.1

One advantage that high-quality customer service offers is a cost-effective means of gaining and maintaining repeat business while maximising customer lifetime value (CLV). CLV is defined as the net profit a company can make from one customer over time. A BCG study finds that for leading software as a service (SaaS) companies the value generated over a customer's lifetime is 25 times more than in the year when the customer is acquired.² Another study by the White House Office of Consumer

Affairs notes that in the US the lifetime value of loyal customers is on average worth ten times more than their first purchase.3 A bad customer No matter how small, a bad customer service experience can propel a customer to seek a new supplier, thus eroding the opportunities for CLV, even in B2B industries, where consumers usually take longer to switch suppliers. Therefore, investing in delivering personalised and responsive customer service is an important avenue for firms to build brand loyalty that increases customer retention and in turn captures CLV gains and profit. According to a Bain & Company study, a 5% increase of customer retention rates increases profits between 25% and 95%.4 Moreover, improving customer service can help to reduce some marketing and sales costs. As the Harvard Business Review finds, retaining an existing customer can be up to 25 times cheaper than acquiring a new one.5

Beyond simply encouraging consumers to stay on, firms have begun to recognise that customer service can be an important instrument for helping consumers to build resilience in the

 $^{1\} https://www.mckinsey.de/\sim/media/mckinsey/industries/public%20 and \%20 social \%20 sector/our \%20 in sights/cx \%20 compendium \%202017/customer-experience-compendium-july-2017.pdf$

² https://www.bcg.com/publications/2019/six-keys-to-customer-success

³ https://medium.com/@roomstorm/calculating-customer-lifetime-value-for-the-travel-industry-92b22c740e3b

⁴ https://media.bain.com/Images/BB_Prescription_cutting_costs.pdf

⁵ https://hbr.org/2014/10/the-value-of-keeping-the-right-customers

face of increasing socioeconomic uncertainty. A firm which regularly shares personalised, nonmarketing business updates with consumers can deepen its customer relationships, reduce churn and increase sales.⁶ Regular communication with customers through customer service teams is especially important in the B2B space, where clients rely on firms for products and services that are often integral to their own operations and business continuity.7 Therefore, firms which proactively keep their B2B clients in the loop can help them plan their business operations more effectively and develop contingencies that will minimise the risk of a breakdown in the relationship in the event of an unexpected disruption.

In light of the benefits detailed above, over the past two decades firms have invested in new technologies and processes to transform how customer service is delivered with a view to enhancing customer loyalty and engagement. This is most clearly visible in the number of channels through which customers and suppliers can connect. In addition to in-store, post and phone, firms have added email, feedback forms on websites, automated phone menus, social media accounts, website chat windows and chat bots. For B2B companies, dedicated account management systems have been set up to support clients as well as customer portals

and apps. In addition to lowering customer churn rates to between 10% and 15%, McKinsey estimates that these improvements can lower the cost of serving B2B customers by 50%.8

For all companies, investing in automated customer service channels offers potential cost savings. Each customer who uses an automated menu system on their phone to pay a bill is not occupying an agent on a call or forming a queue in a branch. Set against this is the need for lower investments in technology and the recruitment and training of an army of agents required to answer customer complaints.

Alongside a desire to increase customer retention, firms have woken up to the growth opportunities of the data that customer service interactions can provide. As leading firms have shown, there is enormous value in recording, measuring and analysing customer service data. Where previously companies relied for insight on consumer surveys which capture only a fraction of interactions and which companies themselves agree are often unfocused and ambiguous, customer service data can cover everything.9 As Mr Poddar from BCG points out: "Customers are leaving real-time information in terms of their attrition, their buying behaviours in call centres, websites in conversations with relationship managers. Whatever channels they are using,

⁶ https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/improving-the-business-to-business-customer-experience

⁷ https://customerthink.com/six-b2b-customer-support-trends-for-2020-and-beyond/

⁸ https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/finding-the-right-digital-balance-in-b2b-customer-experience

⁹ https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/prediction-the-future-of-cx

they are interacting and leaving a footprint on how they're feeling. So why not use that information?" Conversations with customers can help firms to learn which existing products in the market are performing poorly or which services are missing entirely. This knowledge enables customer experience to act as a treasure trove of information to increase average sales, drive growth and create new value.

Take the example of Slack, a communications platform company, which has been able to quickly and consistently use customer feedback to expand and update its product features. It has made customer suggestions and feedback central to product design by capturing and analysing all customer Tweets and help tickets, and by ensuring a direct line between the customer service and product teams.¹⁰ Similarly, Mr Maechler from McKinsey describes a telecoms firm operating in the Middle East, which, because of its analysis of its customer service data, spotted the cultural preference for gifting and began to offer its customers the opportunity to gift telecoms services, such as extra mobile data. It was so successful that it then expanded into other products, such as flowers.

Understanding which customers are in touch, where they are based, what products they are buying and their satisfaction levels has also allowed companies to make their customer

engagements more consistent across the sales, marketing and customer service functions. As one company notes: "Today, businesses are competing on customer experience, and when these three teams are working together, brands can give customers a consistent, intelligent experience across all touchpoints."11 To this end, some firms are reorganising internally to encourage regular interaction between sales, marketing and customer service teams so that they can readily analyse and leverage insights from customer service data. A US utilities company, for instance, was able to address the problem of low customer signup by restructuring its internal processes to ensure that customer complaints identified by its field services team were rapidly transmitted to and resolved by its customer service team.12 According to Naomi Wheeless, global head of customer success at digital payments company Square, setting up "a back-end system that centralizes everything" is an important way for firms to improve information sharing between teams. This type of system, she explains, will offer executives "a holistic view of their business which ultimately helps them understand their customers and create a better experience." Accordingly, Zurich Insurance Group developed a dedicated online portal and smartphone and tablet app that enables its customer service employees and sales agents to access and share information on customer activity.13

¹⁰ https://review.firstround.com/From-o-to-1B-Slacks-Founder-Shares-Their-Epic-Launch-Strategy

¹¹ https://blog.consumeraffairs.com/why-marketing-sales-and-customer-service-should-collaborate/

 $^{12\} https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/the-revival-of-customer-loyalty$

¹³ https://www.forbes.com/sites/blakemorgan/2020/07/16/b2b-wakes-up-to-the-benefits-of-customer-

For firms looking to redesign their customer experience across all touchpoints, analysing customer service data is a useful starting point. Mr Poddar explains: "What the best companies do is take a clean sheet of paper and say: 'What are we delivering to the customer?' 'What does the customer need?' 'Can we reimagine the experience itself?' and then act on that new proposition rather than tweak the old proposition hundreds of times." Mining customer service data can help companies to better understand the customer journey and pain points, evaluate how they perform in the market, create a shared vision for customer engagement and identify areas for internal transformation to meet customer expectations at all levels.

As the methods and platforms on which customer service is conducted have evolved in recent years, so too has its broader purpose. Customer service is no longer just a cost centre that is given a budget to keep customers coming back. It is a value-creating engine in its own right that the best-in-class companies are putting at the centre of their growth strategy.





experience/?sh=16d3c829be7c

BUILDING A STRATEGIC CUSTOMER SERVICE FUNCTION FOR THE FUTURE

Rapid technological innovations and new organisational models and forms of working have changed what customers have come to expect from their interactions with firms.

Today's customer expects companies to provide convenience, flexibility and personalised solutions. The coronavirus pandemic has entrenched these expectations further. The rapid transition to online shopping during the pandemic means customers want high-quality engagement that is on a par with leading tech firms, most notably in B2B industries, where customer service delivery has been relatively subpar.

The future of business growth will therefore be closely intertwined with the seamlessness and proactivity of the customer experience, of which customer service is a critical component. As Ms Wheeless from Square explains: "Long term, customer service needs to be seen not as a cost center, but rather as a value add to the company. That means not just solving problems for customers, but helping them identify the products that are best for them and reducing churn. Tracking all of that means better tools, technology, and infrastructure to understand the benefit of a customer service touchpoint, not just the cost."

Below we discuss findings from our conversations with business leaders on areas

companies might consider focusing on to improve the performance of their customer service function in order to achieve the dual purpose of delighting customers and providing insights to inform business strategy and growth.

Understanding the customer journey

Our experts are united in their belief that the best types of customer service - those that enhance customer retention and create the largest amounts of valuable data - are focused on the entire customer journey. For Octopus, a British energy supplier, the introduction of a new platform that provides instant access to all data on a customer has helped customer service agents better understand and focus on the customer journey. According to the firm's global director of product and marketing, Rebecca Dibb-Simkin, the success of this new platform has helped Octopus identify a whole new business line, thus demonstrating how redesigning their business around the customer can result in unexpected and new value-creating opportunities.

Focusing on customer journeys often necessitates the restructuring of customer experience departments, a move that has also found favour with our experts. First Bank, for example, has set up cross-functional value streams made of people from different teams that are responsible for each end of the

customer journey. As Mr Pitt explains, by having all teams be responsible for customer service, "everyone shares the challenges around making the customer journeys as frictionless as possible."

Similarly, Mr Poddar from BCG describes a large client in the insurance sector that was focused on improving its customer service and had several hundred problems being fixed at the same time, but "in a very unco-ordinated way, so that the customer journey was not being improved from end to end but in bits and pieces". A restructuring of the business to align it with the customer journey helped the team to focus on the six to seven most common customer pain points and fix every kink or delay from beginning to end.

Defining a common purpose to improve the confidence of customer service agents

The first step in any journey to transform customer experience ought to be the creation of a common purpose for how the firm engages with its customers, according to Mr Maechler of McKinsey. He argues that aligning a company around a single goal helps to bring focus to a transformation and also, more importantly, gives confidence to customer service agents to be themselves when engaging with customers. He believes that working with a common purpose "creates the ability for you to put your employees in the role of being human", and research has shown how much customers value a personal connection during the resolution of their problems.

A common purpose also reinforces the idea that everyone in the company alongside the customer service team is responsible for the customer experience. As Mr Poddar puts it: "A lot of large companies need to understand that customer experience is not the job of the customer service department alone. Service agents listen to the voice of the customer. They see the complaints data. They understand all the things that require fixing. But unless the responsibility for customer experience is shared, they are just measurement teams." One way that Square ensures company-wide unity around customer service goals is by deeply integrating customer service metrics, such as Customer Satisfaction or Net Promoter Score, across all levels of the organization. As Ms. Wheeless of Square notes: "These metrics go to the root of what we do and are reviewed at the highest levels of our company". A common purpose, therefore, is a great way to presage the introduction of new technology or a structural reorganisation, by keeping everyone focused on what customer service is meant to deliver.

Making customer service an integral part of business transformation

Customer data can provide businesses with rich insights into potential opportunities to grow and transform. But customer service should do more than merely provide information about what new products and offerings could be launched. When a firm begins to offer a new service or product, customers inevitably need more support and guidance on how to use it.

Their comments and feedback can also drive further improvements and refinements, creating a positive feedback loop.

Caterpillar Inc., a machine and equipment design and production firm, for instance, has structured its business to focus increasingly on offering "not only great products, but also solutions beyond the iron," as group president Bob De Lange explains. To this end, the company has introduced Customer Value Agreements (CVAs) as part of its customer service offering in order to help new and existing customers reduce the total cost of owning and operating its equipment. CVAs achieve this by providing equipement protection plans, planned maintenance and delivery of parts, equipment financing options, as well as access to digital machine insights. As Mr De Lange, explains, creating service lines that focus on delivering value to customers after an equipment purchase also "delivers revenue for Caterpillar and its dealers."

The firms which offer the most comprehensive customer service anticipate when more resources are required, such as at the time of a new product launch, or during high season if they work in a seasonal business. They may also keep the distance between their customers and their senior leadership as flat as possible, to keep customer service in mind for executives across

the business. According to Ms Dibb-Simkin, all senior leaders at Octopus answer customer queries directly every week. The firm's founder, Greg Jackson, is particularly fond of replying to complaints and questions sent to his personal Twitter account.

Balancing technological and organisational changes

Often companies focus on introducing new technology, such as omnichannel platforms or machine-learning techniques, to improve their customer service function. However, in the opinion of the experts we consulted the trick when designing a strategic customer service function is finding the balance between technological and organisational changes. Mr De Lange from Caterpillar Inc. finds that in his business "you need both to be in place, digital capabilities and the capabilities for right ontime delivery of genuine parts and expert dealer services." The combination of technological and organisational capabilities, Mr De Lange explains, has enabled Caterpillar to provide unique insights and customer-focused solutions throughout the lifecycle of our products.

Looking more broadly, BCG's Mr Poddar comments: "I think technology is usually 20-30% of the solution. The majority of the improvement is the organisational dynamics – how you set up the work inside the company,

rewiring governance, instituting cultural change. Management often gets excited with shiny new objects that they think are going to solve the customer experience problem, but the issue is often within their own organisation."

Mr Maechler of McKinsey has similar sentiments: "Harnessing the data to predict customer satisfaction and find the right indicators is hard work. That's what we do with our clients, but we don't let them loose on this immediately. The second part is redesigning your capability as an organisation".

Building a strategic approach to directing resources

Making strategic decisions on where to spend the customer service budget has huge implications for the function's effectiveness and its ability to provide the sort of information that can drive growth or open up new markets. One of our experts cited the example of a telecoms firm, which noticed a surge in customer complaints regarding its inability to have fibre telecoms connected. Aware of the potential impact on its renewal rates and on the reputational damage from these complaints becoming public, the firm spent money hiring lots of new agents and creating a new call centre dedicated to trying to help customers suffering the same specific problem. Although

this was better than subjecting customers to longer queues on the phone to speak to an agent (which is what would have happened if they hadn't invested in greater capacity), our expert believed a better solution would have been to dig deeper into the causes of the problem. The root cause turned out to be that the sales team was incentivised to arrange as many connections as possible, which resulted in incomplete data sets. Engineers who arrived to connect households did not have the proper contact details or addresses. Consequently, appointments were missed and customers were irritated. Recalibrating the sales team's incentives so that customer information was logged completely would have been a cheaper and faster solution to the issue, and one that would have absorbed fewer resources, which could then have been directed to value-creating areas instead.

Versions of this story cropped up several times during our research. We heard of firms spending lots of money on collecting customer data but stopping short of buying the analytics necessary to tie the data to financial performance. This meant that the firm could understand where its customers were frustrated, but it failed to understand with any confidence whether or not these frustrations were affecting its bottom line. Without this missing link it was impossible to harness customer data as effectively as possible.

 $^{1\} https://www.technologyreview.com/2020/o9/17/1008148/from-support-function-to-growth-engine-the-future-of-ai-and-customer-service/$

² https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/pwc-consumer-intelligence-series-customer-experience.pdf

³ https://medium.com/ocadotechnology/how-ocado-uses-machine-learning-to-improve-customer-service-7d603c11e982

Introducing AI, but sympathetically

The rollout of artificial intelligence into customer service has begun, but it has further to go to deliver unique insights for business growth. Our research suggests that in customer service the well-trodden narrative of robots stealing our jobs and replacing service agents is less relevant than the prospect of AI helping them to improve their performance.1 A recent survey by PwC, a professional services provider, into the future of customer service found that an average of 75% of respondents from across the globe in advanced economies and emerging markets agreed with the statement: "I want to interact with a real person more as technology improves."² Accordingly, though many companies have introduced chatbots to help answer routine customer questions, Al is best utilised within customer service as a supplementary tool to humans, not as a replacement for them.

A British technology firm, Ocado, which is best known for its grocery retail business, has been using Al software to categorise and sort customer communications for almost five years. The software scans the content of emails and looks for words or phrases that indicate to the company's service agents the level of priority that should be ascribed to the message. Communications that praise the company's existing services, for example, are unlikely to be classified as high priority, but those with a major complaint can be bumped up to receive a faster response.

Likewise, AI can advise service agents on how to respond to customer queries based on existing examples and even comment on or direct their tone of voice. For instance, computer vision technology, which analyzes digital images from cameras and videos, can provide real-time suggestions to help service agents answer questions or provide useful information during their interactions with customers.³ As the MIT Technology Review notes, by freeing up agent's time AI is helping businesses "rethink the goals of their customer service centers, allowing their teams to evolve from a support function to a growth engine."⁴

An important way in which AI and machine learning can transform customer service is by making it a proactive solution for identifying and addressing customer business needs. As Luke Jensen, chief executive officer of Ocado Solutions explains, AI "enables us to develop a forensic view of our inventory needs, making supplier ordering more accurate, keeping fresh food in the supply chain for less time, and driving down product waste." Similarly, Caterpillar Inc. uses cloud-based AI and machine learning solutions for advanced failure detection, prediction, and root-cause analysis that enables it to help customers avoid unexpected machine or engine failures, reduce expensive downtime, and reduce total cost of ownership.

Developing a robust omnichannel approach

Omnichannel has been a popular idea for years. A robust omnichannel approach allows for

 $4 \ https://www.technologyreview.com/2020/09/17/1008148/from-support-function-to-growth-engine-the-future-of-ai-and-customer-service/$

excellent service to be available to every kind of customer and customer feedback to be handled efficiently. If a customer has to hang up the phone because they need to catch a train but the issue can still be resolved over Whatsapp while they travel, then the experience becomes more satisfying and retention is likely to rise. But doing omnichannel well is sometimes a challenge. Companies often need to change their infrastructure. It can require a single customer-centre desktop for all service agents to work on that enables them to move between all of the firm's available channels, a platform that filters and sorts all incoming interactions and back-end interfaces to store the data.

Omnichannel can also only be said to work if it encompasses customers across the spectrum of preferred channels. It should also recognise that people are likely to move between these profiles. Unexpected events, such as the coronavirus pandemic, have forced some people who may have been more reticent about digital to take their first steps in this direction. Moving towards an omnichannel approach should therefore include some element of future-proofing, by considering how the value and volume of customer journeys are likely to change in the coming years.

Pursuing a proactive, or even pre-emptive approach

At present, firms conduct too much of their customer service on a reactive basis. This means that companies wait for consumers to get in touch about a disappointing experience. This approach risks increasing operational costs and causing potential reputational damage. It is also likely to be more difficult to repair a relationship with a consumer if the conversation only begins after the customer has been let down. A minor irritation can easily become a contract-threatening dispute if the customer journey is not well designed or empathetic.

An alternative approach is for the supplier to become proactive. Mr Poddar cites the example of banks issuing cheque books. A reactive bank would wait until a customer has run out of cheques and makes contact to request a new book. But a proactive approach would be for the bank to monitor through its own systems when the customer is likely to run out or, if regulations do not permit that, to send a text or an email to ask. He believes that the latter is "a safer, cheaper, better customer experience – its good for the bank, it's good for the customer". Ms Dibb-Simkin of Octopus recalls how at the start of the pandemic her firm published an interactive tool to help its business and residential customers estimate how coronavirus might change their energy consumption and contacted those it believed were likely to struggle to meet their payments because of changing circumstances. A business research firm, Gartner, believes that by the middle of the decade the number of proactive customer experience interactions will surpass the number of reactive ones.1

Some firms may also consider going further

¹ https://www.gartner.com/smarterwithgartner/top-customer-service-and-support-predictions-for-2021-and-beyond/

still and becoming pre-emptive. Imagine a fault occurs with a broadband line serving a residential street. A reactive provider would learn about the fault after its customers complained and would dispatch an engineer to investigate. A proactive provider would notice the fault, notify its customers through the various appropriate channels, such as a text message, email or post on its website, and then send out the engineer. A pre-emptive firm would make use of analytics that would recommend which broadband lines were at risk of breaking down and send engineers out to repair or modernise them before a fault even occurred. McKinsey suggests that the predictive power of analytics could be used to create "wow" moments for consumers by, for example, sending new hardware to broadband subscribers whose connection was being disrupted by high local traffic.2

Firms' ability to roll out a proactive or preemptive customer service is likely to be inhibited by costs and resources. However, analytics could show companies where enhancements could be deployed most effectively. Mr Maechler from McKinsey points out that customer satisfaction scores are higher when firms are shown to "respond heroically", for example, by being seen to fix a fault quickly and empathetically, than when they "respond silently", such as fixing a fault before it is discovered. Deciding when to

be proactive and when to be pre-emptive is therefore a highly strategic decision.

Simplifying design

Allied to the idea of minimising customer interactions through acting preemptively and providing proactive service is the concept of simplifying the design of services, tools and documents that are customer-facing. This involves adopting a broad definition of customer experience to include any information sent by a supplier to a customer, such as a bill or the UX of an app. Well-designed products with simple interfaces are one of the best ways to cut through crowded marketplaces and build brand loyalty - just ask Apple or Netflix. It means they can be used by everyone and all consumers appreciate accomplishing their goals with fewer clicks and swipes. Simplifying customer service design is particularly important for B2B customers, who often have multiple stakeholders and more complex issues to resolve.

Testing different layouts, structures and content is becoming a vital step to result in higher customer satisfaction and a smaller number of incoming interactions. For example, when the designers at Oscar, a US health insurance firm, came to rethink the next version of their mobile app, they put three different home screen designers through rigorous testing before

 $^{2\} https://www.mckinsey.com/business-functions/operations/our-insights/simple-predictive-proactive-responsive-the-future-of-customer-operations$

settling on a version that offered customers their most frequently used services but not everything that was available.³ They realised that a home screen that showed a full list of options was too cluttered, but a dynamic page that made predictive guesses at what consumers were seeking resulted in excess clicks and scrolling.

To get a sense of where greater simplicity could be introduced, firms can look at what is driving the highest volume of interactions. Is the payment structure? The inability to find a particular page on a website or in an app? Or a buggy piece of software? This approach can save customers significant amounts of time and build loyalty. Mr Poddar of BCG explains his delight when an Indian payments system company, simplified the process of paying a monthly phone bill: "Previously I had to go to the provider's website, fill in 15 data fields, then fill in my bank information. It was a painful process. It took 20-30 clicks to get it done. But the payments system company connected

with all the telecom providers and pre-filled all the information for you. After putting in your mobile number, all you had to do was then give your bank card data and it was done." This development took place several years ago, but remained front of Mr Poddar's mind because he appreciated the simplicity of the new process.



3 https://medium.com/@perlerar/how-we-designed-oscar-2-0-fbba97087bae

CONCLUSION

Designing and delivering customer service is no longer just about fielding consumer complaints and answering questions. Today, more and more businesses consider customer service to be a critical component of business strategy, positioning firms for growth now and in the future. The emerging role, responsibility and goal of customer service is to build long-term relationships that can help firms reduce churn, introduce innovative products and services, and ultimately increase revenue. By keeping a close eye on rapidly changing consumer preferences and behaviour, the customer service function can help firms improve their internal operations so that they are able to navigate future market changes effectively and capitalise on new opportunities.

As the experts we spoke to explain, companies will need to decide how best to structure their organisations and leverage new technologies in order to maximise the benefits associated with the new roles and responsibilities of customer service. Over the past 20 years the firms that have been able to rapidly adapt to changes in customer preferences through their customer service functions have invested in cross-functional collaboration internally to enable them to offer customers seamless transitions between a range of engagement channels. Finding the right structure and process for building a strategic customer service function is complex, but for companies which find the right approach there is a big payoff: long-term growth.

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