

Servicing the e-consumer;

Current and future trends

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Format

1. What is Service? Why is it a Challenge in e-world?
2. Customer Service for the e-consumer – the trends
3. A New Focus for Understanding Customer Service for the e-consumer

What is Service? Why is it a Challenge in the e-world?

"The customer is never wrong"

Cesar Ritz – in Piccadilly to Pall Mall

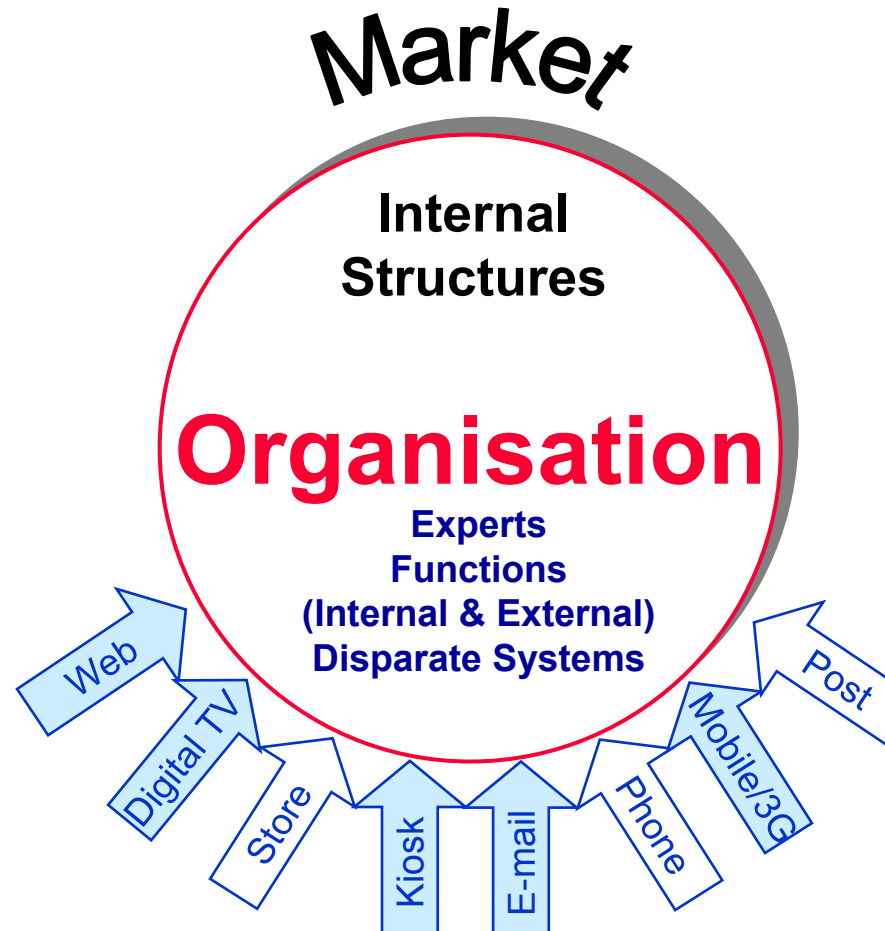


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An Inherent Tension

- Customers have needs from an organisation, which need to be provided within a defined cost
- Organisations need to organise themselves efficiently to respond to that need
- The form of the organisation can:
 - Fragment service
 - » By channel
 - » Within process
 - » Within one transaction
- This has a tendency to:
 - Generate extra service needs
 - Generate complaint and dissatisfaction
- The introduction of the e-channels has compounded this issue
- The consequence is that management understands neither:
 - The service it **should** provide



Multi-channel service is the normal situation

Few organisations do this well, few apply consistency and even fewer have a complete understanding of the complete service provision

Definitions – Customer Service

- **Customer Service:**
 - According to the Institute of Customer Service
 - » Is the sum total of what an organisation does to meet customer expectations and to produce customer satisfaction
 - » Is made up of multiple customer transactions, automatic and manual, which act together to shape customer satisfaction, which in turn influences long term buying decisions
 - Is delivered through multiple channels and at various stages; as defined by the business process
 - Wraps around product offerings and needs to be provided within the cost constraints of the operation
 - *“Customer service is just a day-in, day-out ongoing, never-ending, unremitting, persevering, compassionate type of activity”.*
Leon Gorman, CEO L.L.Bean
- **“Customer is King “ – keeping the customer satisfied is the key to long term profitability:**
 - *“69 percent of customer defections are because of a poor service or sales interaction.”* The Forum Corp (US)
 - *“Sixty six percent of customer loss is through failure in customer service“.*
Richard Forsyth – CRM Forum, from Managing the Customer Experience - Smith & Wheeler (UK)

In the e-world the early days were focused on price and novelty, but as the market matures service will increasingly be the differentiator

Definitions – The measures of success

- **Measuring Customer Service:**
 - Raises various challenges, to quote:
 - » *“While 87% of the Top 500 companies (US) with annual revenues in excess of \$100m listed customer satisfaction as one of their most important corporate initiatives, only 16% of these companies had any method in place to measure their effectiveness in satisfying the customer”* - Centre for Customer - Driven Quality at Purdue University
- **The bigger, more complex and technology-led the organisation, the bigger the problem is:**
 - Customer Service is seldom a problem if the owners of the organisation regularly look their customers in the eye
 - In a complex organisation it is difficult to see the complete end-to-end Customer Experience – in the rush to deliver the latest product or service the customer’s perspective may be lost.
- **In summary:**
 - We all know Customer Service is important; in a mature, competitive marketplace Customer Service becomes the key differentiator
 - E-customers make greater use of technology, but service whether automated, or manual is still important
 - Increasingly the customer will make use of multiple contact channels, this needs to be actively managed

Customer Service for the e-consumer – the trends

“The problem is not that there are problems. The problem expecting otherwise and thinking that having problems is problem.”

Theodore Rubin



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Many Customer Initiative Labels



Overall Customer Facing Trends

CRM may have had its day, or may be morphing into something different like Customer Experience, or Brand Experience. However, common themes emerge:

- Growing realisation that customer service is of **strategic importance** to business success. As industries mature and companies can no longer differentiate themselves by attributes such as products or pricing, customer service becomes a critical competitive advantage
- More **demanding customers**, expecting more, and more willing to defect if they don't get what they expect. This can mean that providing service can be more challenging, and more stressful
- Even in the e-world, **personal (non-technology) based service**, and customers used to the traditional channels find it increasingly hard to tolerate non **joined-up service**
- Growing pressure to **do more with less**. Which leads organisations to consider new approaches, such as seeking to actively manage down contacts, or to consider channel substitution
- Increasing realisation that all customer **channels** should deliver **consistent** and accurate answers. Therefore, that processes and information need to flow between the traditional channel silos
- **Merging of sales and service**. As companies become aware that good service sells products, more of them are asking service agents to inquire about customer needs and to up-sell or cross-sell products that meet those needs

.... And the observed responses

- **Segmented** service and support strategies, driven by customer value or product portfolio. Some service providers are adopting a different organisational model based on value
- An aim for **multi-skilled teams**, seeking first-time-resolution
- In support of the above, and in response to frequent product and service launches, **online training** is becoming more popular.
- **Automation** of service, where possible, although this is not always perceived well by customers, especially if designed from an inside-out perspective
- Many functions are being **outsourced. Offshore** is still being considered as an option.

..... However, it's not all a bed of roses, Some issues emerge

- **Differentiated service by channel;** perhaps reflecting the different economic realities of each channel. However, this provides a mixed message to customers and creates confusion for employees and customers
- **Crude segmentation** and practices which means some customers get poor service by design. This is a dangerous strategy, no organisation knows enough about its customers, and the relationships between them, to understand the consequences of this
- **Fragmented service provision** created by outsourcing components (for economic reasons) or by the increasingly popular virtual organisation:
 - *“75% of large support organisations surveyed felt their current, informal process for resolving multi-party support incidents negatively impacted customer satisfaction. Over 70% of the respondents indicated it takes four-to five-times longer to resolve multi-party support issues than individually handled issues”* (Recent survey conducted by the Service & Support Professionals Association)

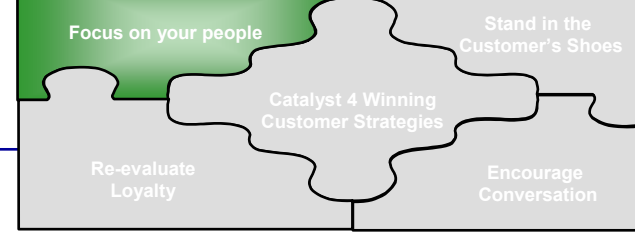
..... And e-service has the most issues.....

- **E-commerce gains a significant foothold, service starts to become an issue:**
 - *“As the Internet pushes support requirements to new levels of responsiveness to support continuous IT operation, customers will continue to remain frustrated with fragmented, multiple vendor support strategies. As a result, there will be significant pressure to create back-level alliances, consortiums and extended partnerships to cover all components of a solution.”* Source: Gartner, Infrastructure Support Services Market Trends and Forecast, Eric Rocco, Tony Adams, Bob Igou, January 22, 2002
- **Survey this summer by Computer Active (UK)**
 - Contacted the customer service departments of 50 of the most popular online retailers and service providers with a pre-sales query via email or an online customer service form
 - Computeractive poll and found that the level of satisfaction at the quality of service provided varied considerably:
 - » Only **29%** of respondents rated the service they'd received as very good
 - » A further **33%** said that the service they'd received had been satisfactory
 - » **25%** rated the performance of online customer service departments as poor or very disappointing
 - » And **14%** said that, on occasion, queries submitted online or via email had been left unanswered
 - **Responsiveness**
 - » A sizeable **22%** of the companies we got in touch with failed to get back in the 3-week period of the test
 - » Only **34%** sent an automated email response acknowledging receipt of our query.
 - » Only **seven** of the 50 companies we contacted actually committed to respond to our query in a set time frame.
 - » Of those that did, only **four** stuck to that commitment
 - **Conclusion**
 - » Some areas of good practice, however if you have a problem that needs an urgent resolution, it's probably still best to **pick up the phone!**

Future Trends – Four Winning Customer Strategies, applied to the e-world

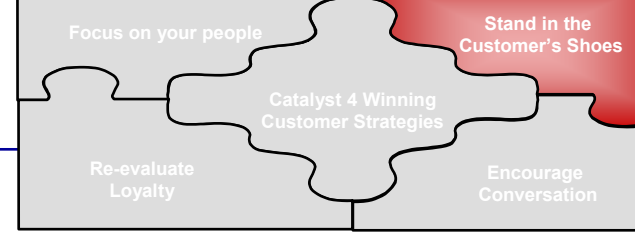


Focus on Your People



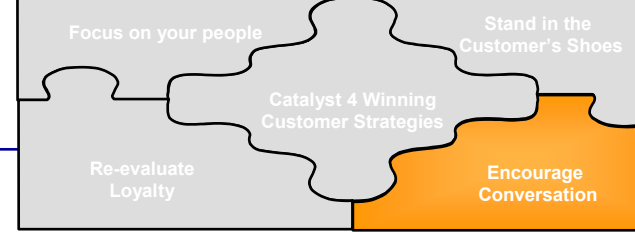
- **Even behind the technology, the people shape your services:**
 - In service industries, the main assets are your people. Office based service providers could learn from good retailers, who realised this a long time ago. Retailers know that happy staff equals happy customers and have invested heavily in hiring the right people
 - » *“A study of the ‘100 Best Companies to Work For’ finds that the companies with the most satisfied employees had an above-average annual return to shareholders” Fortune January 12, 1998*
 - This is true in an e-business as people create the interface, design the messages and manage escalations and complaints
- **Automation enables the “Professionalisation” of Services:**
 - Simple, mechanical tasks can be managed using technology, leaving your people to focus on high value transactions, this impacts your staffing profile
 - Need to increasingly recognise that these service centres are the communication channel for the organisation
 - To get maximum customer impact the front line agents, where-ever they are need to have the right attitude and be empowered to make decisions with understanding of the broader organisational impact.

Stand in the Customer's Shoes



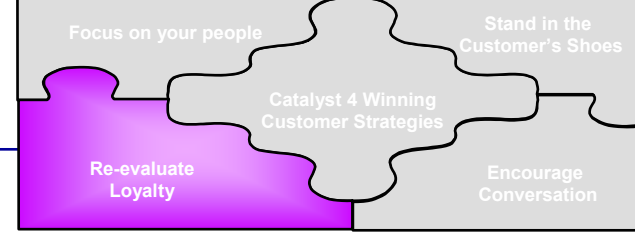
- Think about everything in relation to the customer experience, and brand that experience:
 - Creating a customer experience that becomes synonymous with the organisation's brand is recognised as a vital driver of corporate performance. Disney started the trend. In the UK, First Direct started a new concept in banking using it. Howard Shultz of Starbucks applied it to selling coffee and many have since copied. Amazon's successful brand has provided a model for other e-businesses
- The Customer does not see, nor should they need to, difference in:
 - Channel
 - Product
 - Function
- Understanding the end-to-end experience will provide insights on most effective improvements:
 - If you do this you realise that good service and low costs are not mutually exclusive - in fact, good service often lowers cost. In some back offices it is not unusual to find almost as many people fixing problems as there are executing the transactions in the first place.
- Need end-to-end support from all participants, from suppliers, to couriers, to technical support

Encourage Conversation



- **Maximise Customer feedback and capture all instances**
 - During the 1990 British Airways went to great lengths to collect customer feedback using a bespoke system (CARS). This measured service at multiple touch points and BA actually went to great lengths to encourage more customers to complain in order to get richer data
 - Many organisations get information on customer satisfaction, but:
 - » This tends to be focused on complaints
 - » Is not shared across functional boundaries
 - » Rarely gets debated at a senior level
 - » The data is also rarely available in real-time and often fails to capture the thoughts of the silent majority.
- **In an e-context don't let the technology get in the way of this dialogue:**
 - Watch use of automatic e-mail
 - Design interfaces so that unstructured dialogue is possible
 - Manage your e-mail response service levels closely – 24 hours should be your benchmark – many organisations do not achieve this, many (still) never respond

Re-evaluate Loyalty



- The web is a very price driven marketplace, but e-retailers that have long-term success get return business by delighting their customers:
 - I may select a phone on the web based on price, but if the follow-up that allows me to make best use of that phone is not available not only will I not remain when the contract times out, I may not maximise the use of potential network services
 - I may choose a book based on price, but if the courier used only has warehouses 15 miles away, I would probably not select again
 - I may seek the cheapest hotel, but if the website is difficult to navigate with long waits for searches then eventually cheapest will not be good-enough
- Loyalty programmes are a possibility, but real loyalty is achieved through delivering excellent service, not through points and tie-ins
- Financially it makes sense:
 - *“It’s ten times more expensive to acquire new customers than to keep existing customers”* - Bain & Co
 - *“Increasing customer retention rates by 5% can increase profits by 25%-95%.”*
Frederick Reichheld, Harvard Business Review
- But you must understand your loyalty model and recognise that is changes are marketplaces mature, and depending on the competitive situation

Customer Service – A mobile telco perspective

- 2G / 2.5G relatively well known
- Service not yet “wonderful”, but the processes, handoffs and issues are reasonably well known
- Most mobile telcos are working hard to get better at servicing the entire chain well, some are doing better than others.....

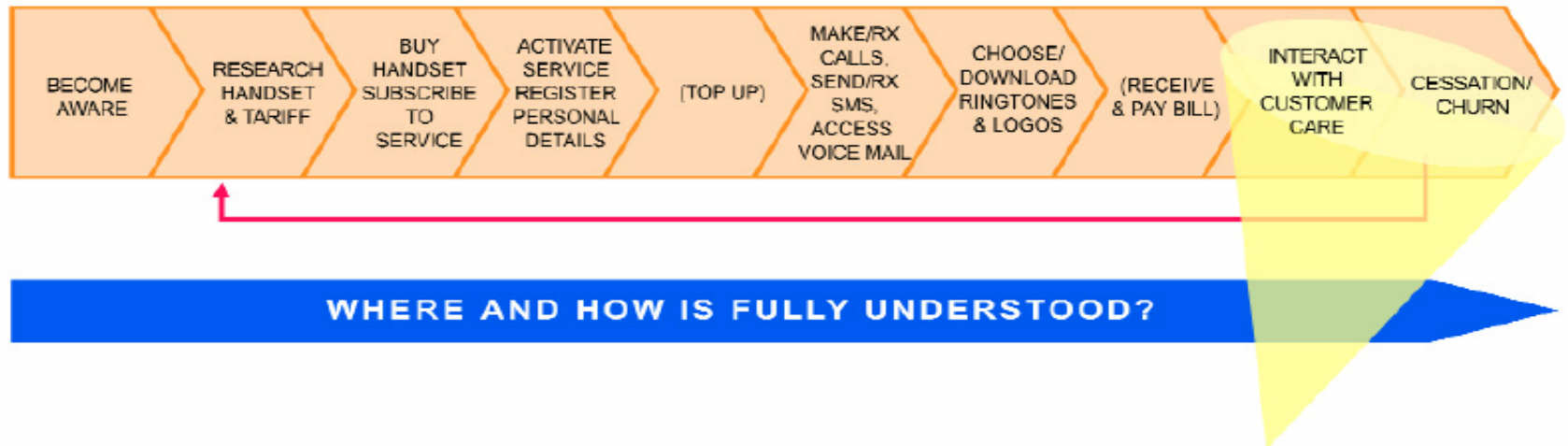
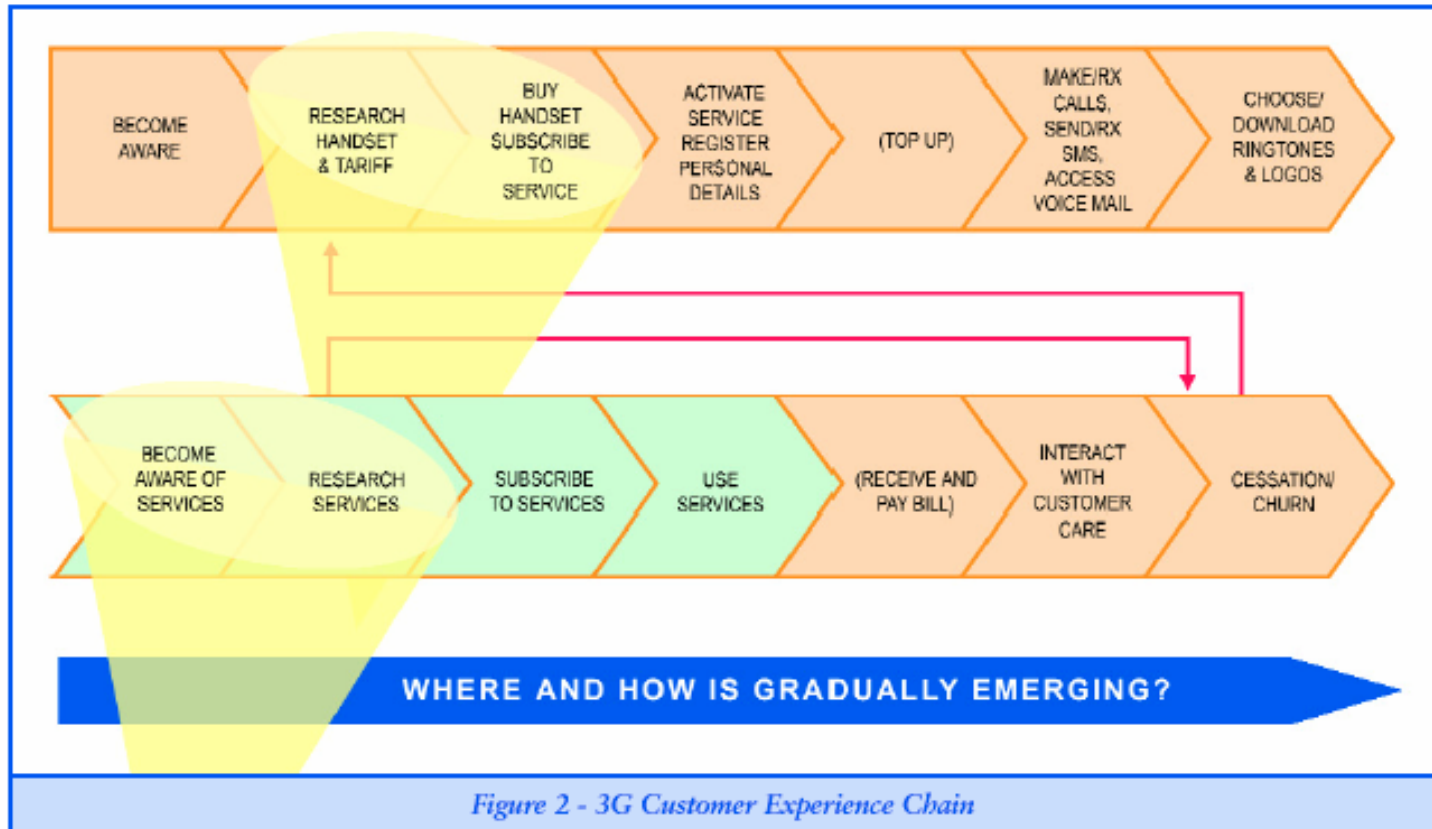


Figure 1 - 2G Customer Experience Chain

Customer Service – A telco perspective

- 3G raises many more challenges
- The mobile telcos I am aware of are currently focused on aerials and handsets
- Yet a major element of success will be the service provision to support this



Customer Service Trends - In Summary

- Appropriate Customer focus has been, and continues to be, a key issue for all organisations
- This is always true:
 - In a mature, competitive market
 - Even in an e-business
 - Even if technology is the product
- The multi-channel situation makes customer service more complex
- The mix of automated and manual service needs to be carefully designed, and consistently applied
- The bigger, newer and more complex an organisation is, the harder it is for management to understand the best means to manage the Customer
- Key initiatives will be:
 - People - empower and train to provide the very best customer experience every time
 - Process - simplify, considering the customer's point of view
 - Technology
 - » Where technology provides direct service, it should aim to be consistent with all other contact points
 - » Management Information that captures the key items about a customer, at all contact points

“Follow the customer, if they change... we change”

Sir Terry Leahy, Chief Executive, Tesco

A new Focus for Understanding Customer Service for the e-consumer

“The levels of service that employees are expected to provide have to be measured constantly against changing customer demands and the competitive marketplace. We constantly survey our customers and make sure we understand what services are required and adapt accordingly. You have to do a tremendous amount of research in understanding what your customer profile is”

Bill Fatt CEO, Fairmont Hotels (from Smith & Wheeler, Managing the Customer Experience)

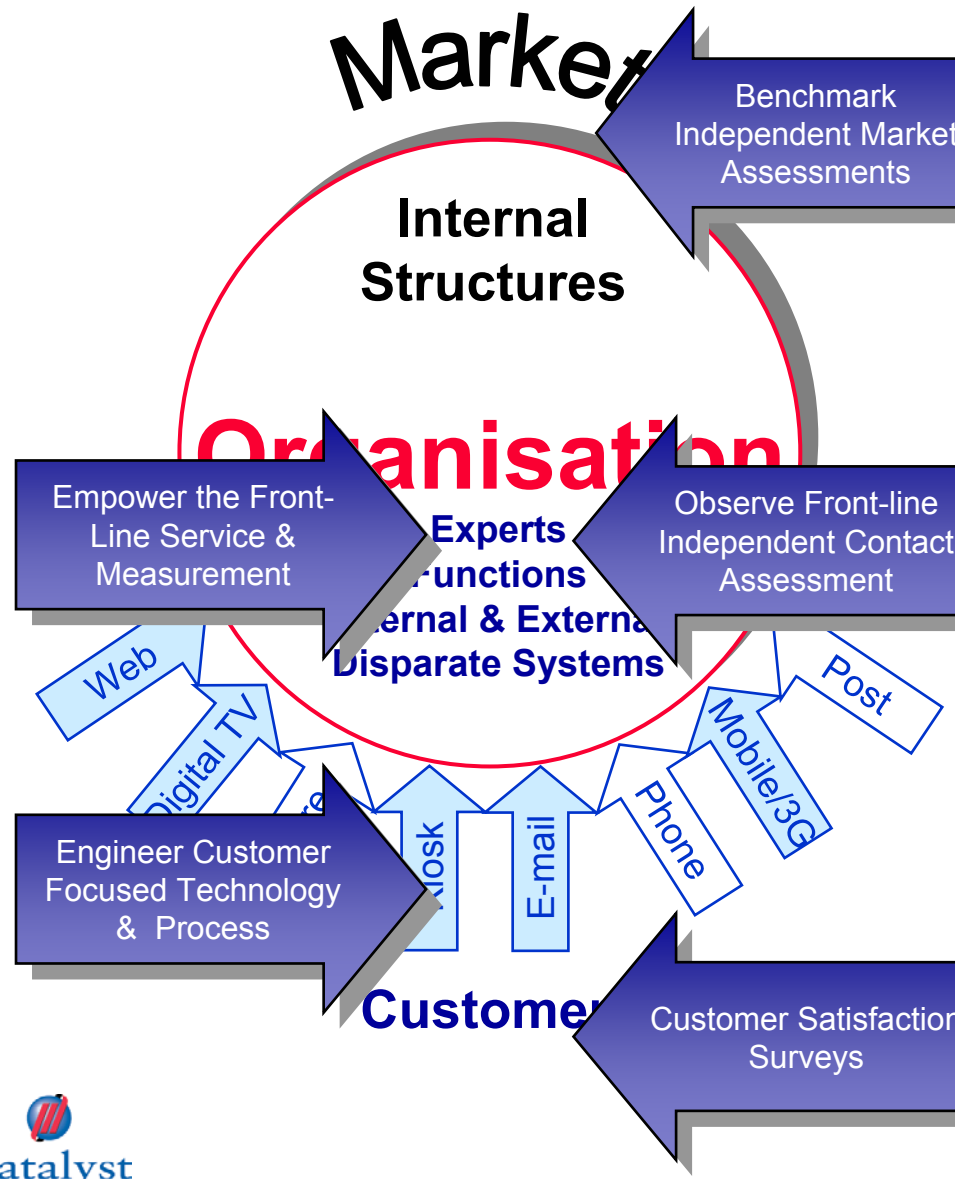


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Measurement and Assessment of Customer Performance

- For success you need to understand your customer better
- Will never be able to get the full story from one source
- Need to identify all possible sources, merge, and then use statistical analysis to spot correlations and dependencies
- Sources
 - Marketplace benchmarking
 - Technology
 - » But re-engineered to have customer at the core
 - » Be omnipotent - present at all interfaces with customer, automated and manual
 - » To collect key data that supports understanding of the contact
 - People themselves
 - People observed
 - Independent external assessment.



Remember.....

**“Best is to know - and know that you know.
Next best is to know that you don’t know.
Third best is knowing, but not realising it.
Worst is not to know that you don’t know”.**
Ancient Proverb

Thank You:

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