



White Paper

Customer Service's Role in Creating Excellent Customer Experience

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IN THIS WHITE PAPER

This white paper examines the role of customer service in creating excellent customer experience. It begins by examining the characteristics of omni-channel retail that define new imperatives for customer service in the age of the empowered consumer. It then examines how customer service creates a thread woven through a brand promise and contributes to improving financial and customer relationship metrics that matter. Next, this white paper turns to the imperatives for omni-channel customer services management – broad ranges of service channels, customer concerns, and content and process metrics that inform decisions toward efficient service delivery. That discussion leads this document to examine the importance of data management and analytics in fulfilling customer service's role in creating excellent customer experience. We conclude with a call to action for improving customer service.

OMNI-CHANNEL RETAIL SETS NEW IMPERATIVES FOR CUSTOMER SERVICE

Uberization of Customer Expectation

Right now, I have to say that my best experience anywhere sets my minimum expectations everywhere.

This simple phrase distills the many risks retailers confront when trying to satisfy the demands of today's empowered consumers. Exceptional experience is the threshold for engagement. Customers don't take excuses. You're exposed where you wouldn't expect – being "uberized" in a crippling flank attack on your comfortable business model. Innovation from far and wide can be disruptive, not just from what your traditional competitors do next.

Dissatisfied customers, even just curious ones casually looking at their options, are just a few clicks away from finding something better. Many have a handy set of go-to "let's look" options. Economists think of it as falling "switching costs." Technologists might see it as Moore's law applied to retail – customer experience thresholds doubling every 18 months at the same price or less. Your customers look at it simply as accustomed convenience.

"A lot of people say, 'Well, Amazon was able to do this.' Amazon is an enormous company. We're not. The customer doesn't understand that."

"If Bloomingdale's has a 120-day return policy, customers expect that of us."

Rising expectations and plummeting switching costs should strike fear among executives charged with differentiating their brand's value through customer experience excellence. There's increasing defection risk at every turn on the customer's path to purchase.

More Touch Points, Better Analytics, and Next Best Actions

Mobile and social commerce are in play here, for sure. Like first-generation ecommerce, these new forms of digital commerce create manifold touch points for engagement – each a new juncture on the path to purchase. The trouble is there's another step change in the unprecedented scale of touch points in new venues, contexts, and modalities – in short, an exploding network of touch points.

"I tell my agents that a customer will discuss a great experience but shout about a negative one."

At the same time, powerful new advanced techniques can analyze gigabytes of interaction and contextual data at scale with implications for automated real-time decision making. This increases the likelihood that engagement and promotional actions can be "spot on" for meeting or beating the customer's expectations. However, there's another side to this analytics coin: Consumers have just as good analytics at their disposal. While consumer analytics might not be as powerful, millions of shoppers enjoy proactive first-person personalization, and that's sufficient to offset any performance gap.

CUSTOMER SERVICE: A THREAD THAT WEAVES CONSUMER EXPERIENCE TOGETHER

Customer Service Ranges Far and Wide

Let's begin with a simple observation. There's universal agreement that customer service is important or very important in creating an exceptional customer experience. It's multifaceted, involving every part of the company.

However, there's some disagreement across regions and operating models on just how important it is. Omni-channel retailers see it as more important than online retailers. U.S. and Australian retailers see it as more important than retailers elsewhere – but only slightly more than Western European retailers and a lot more than Latin American retailers.

"From perspective, every team, every department is responsible for customer experience."

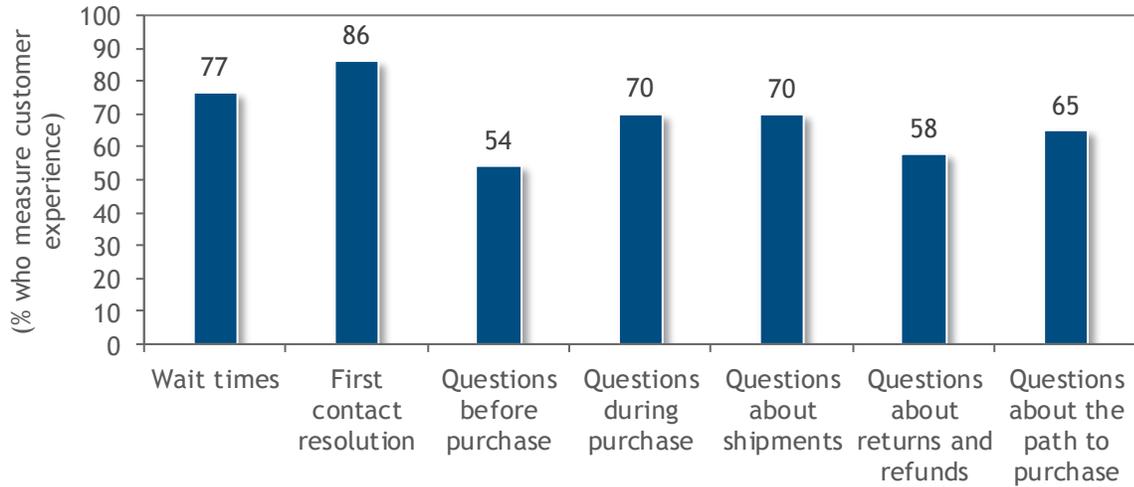
"You have to build relationships across the company."

Customer service is ubiquitous or at least should be. Retailers need to serve their customers at many touch points before, during, and after their paths to purchase, and they do. About 90% of retailers consider store associates, customer contact center, email, and social media as important or very important in shaping customer experience. Over 80% see mobile apps and FAQs the same way.

While retailers agree that customer service is important or very important, there's a good amount of room to improve how completely retailers are measuring their customers' experience. As shown in Figure 1, only 54% of retailers measure how well they address the questions of customers before they make a purchase, and 58% measure their performance on questions about returns and refunds. About 86% track whether they resolve customers' concerns correctly on the first contact, and 77% measure contact center wait times.

FIGURE 1

Customer Experience Metrics Tracked



n = 350

Source: IDC Retail Insights, 2016

Customer Service Contributes to Metrics That Matter

Retailers understand that consumers are very sensitive to a wide range of factors as they form positive and negative opinions about where they spend their time and money. The most important factor relates to products – quality, price, assortment, availability, website search and navigation, delivery, and customer service.

Naturally enough, retailers understand that customer service ranks highly among factors that form customers' impression of their companies. It impacts business metrics that matter. A majority of retailers see customer service as very important in creating brand value, and nearly as many agree that it's very important in achieving customer retention, revenue, and margin goals. An overwhelming majority of retailers, above 80%, agree that customer service is important or very important in these areas and in three other dimensions as well – average transaction value, conversion rates, and Net Promoter Scores.

"Customer service is very significant, especially in sales and average order value. It's not just a problem-solving desk. It can drive revenue and really contribute to the bottom line."

"No matter how many times customers call, when they have a great experience every time, that builds a brand."

CUSTOMER SERVICE IS BECOMING MORE IMPORTANT

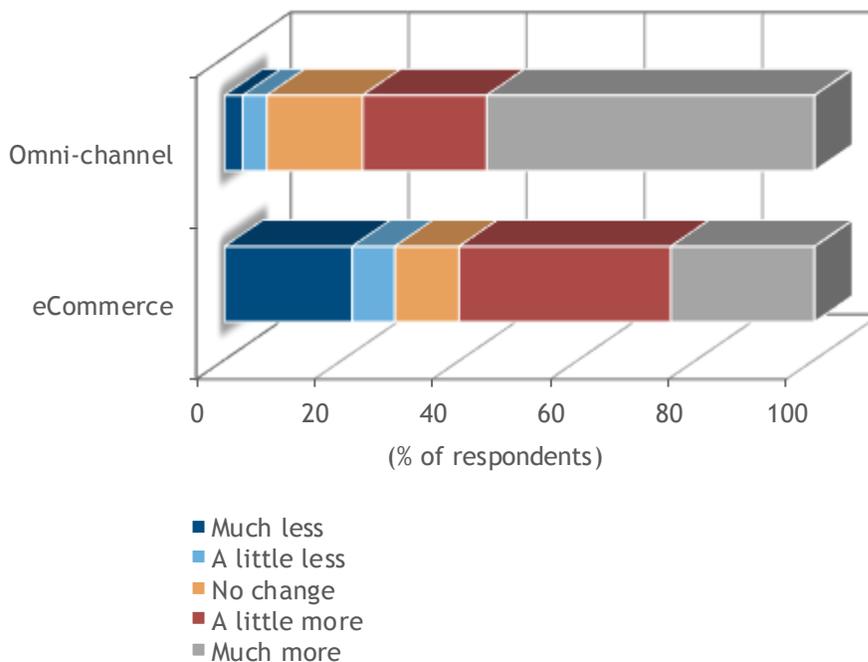
Almost 75% of retailers expect customer service to become more important over the next three years. Its role in creating brand value, retaining customers, and growing revenue and margins will increase. Two-thirds of this group believe it will become much more important in these areas. At other extreme, a scant 11% think customer service will become a little less or a lot less important.

"It's really not customer service anymore; it's customer experience."

eCommerce retailers and omni-channel retailers don't see eye to eye on this point. As shown in Figure 2, nearly twice as many omni-channel retailers (56%) as ecommerce retailers (24%) run their business with the expectation that customer service will be much more important over the next three years. Omni-channel retailers are more inclined than their ecommerce competitors to differentiate themselves with superior customer service. We expect to see omni-channel retailers taking a more proactive approach to customer service. At the other end of the spectrum, 22% of ecommerce retailers think customer service will be much less important compared with only 3% of omni-channel retailers.

FIGURE 2

Divergent Assumptions About the Future Importance of Customer Service



n = 350

Source: IDC Retail Insights, 2016

Everything Is Making Customer Service More Important

Retail is complex. Many forces play off one another to make customer service more important going forward. None stands out universally as the most important factor, but the important ones come from many aspects of the business. Specifically:

- Customer expectations are rising, regardless of price and product differences – 57%.
- Competitors are selling products customers perceive as good as or better than ours – 55%.
- Competitive pressure exists on price and price image – 54%.
- We're raising the bar proactively to offer better customer service – 54%.
- Competitors are improving their customer service game – 52%.

CHARACTERISTICS OF CUSTOMER SERVICE EXCELLENCE

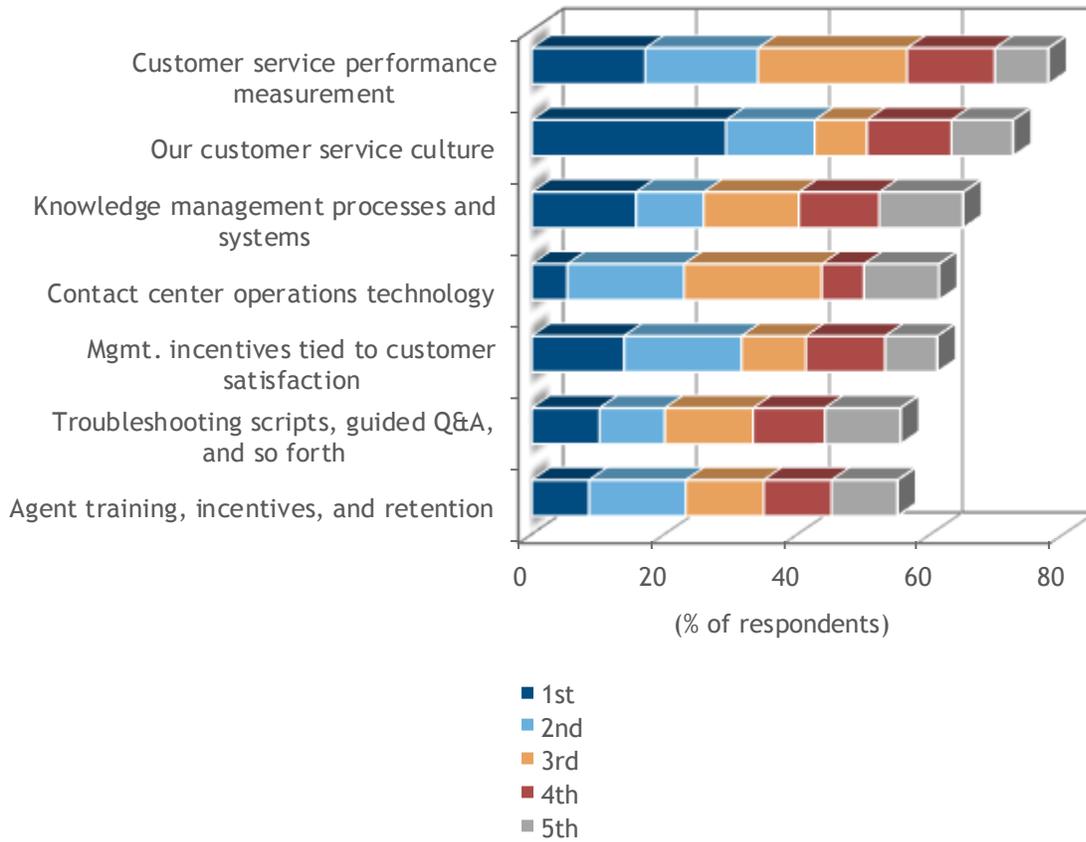
Retailers that rated their customer service performance as 4 or 5 (good or very good) on a five-point scale attribute their success to a number of different factors. Their self-assessment reflects the value of coordinating across multiple dimensions at once – process management, organizational culture, knowledge management, operational technologies, incentives, and agent training. In IDC Retail Insights' view, coordination across these multiple dimensions is a consistent characteristic of excellence across many core retail disciplines (e.g., CRM, analytics, marketing, operations, and supply chain).

Core Capabilities for Excellence

The results shown in Figure 3 reveal that a customer service culture rises to the top overall as a first-choice selection (out of five allowed). Two technology capabilities come next – knowledge management and contact center operations management – ahead of management incentives based on customer satisfaction. Technology supports culture. Culture trumps compensation.

FIGURE 3

Five Keys to Customer Service Excellence



n = 350

Source: IDC Retail Insights, 2016

However, even retailers that view themselves as experts in customer service don't pay enough attention to agent training, incentives, and retention and to systems that automate and streamline the service they provide. Less than half of retailers that attributed their success to agent training actively measure agent retention, and only 70% actively measure training outcomes.

In IDC Retail Insights' opinion, paying more attention to agents and investing in systems that directly support day-to-day customer service delivery should be high priorities for improving customer service.

"Highly knowledgeable and engaged customer service agents are the most important factor for successful customer service. And I'd tack on an empowered customer service team."

Management Collaboration and Coordination

Who "runs" customer service overall is less important than giving every department responsible for some aspects of customer service a seat at the table. As Figure 4 illustrates, many roles across the company are responsible for one part or another of customer service delivery.

FIGURE 4

Roles Responsible for Aspects of Customer Service Delivery



n = 350

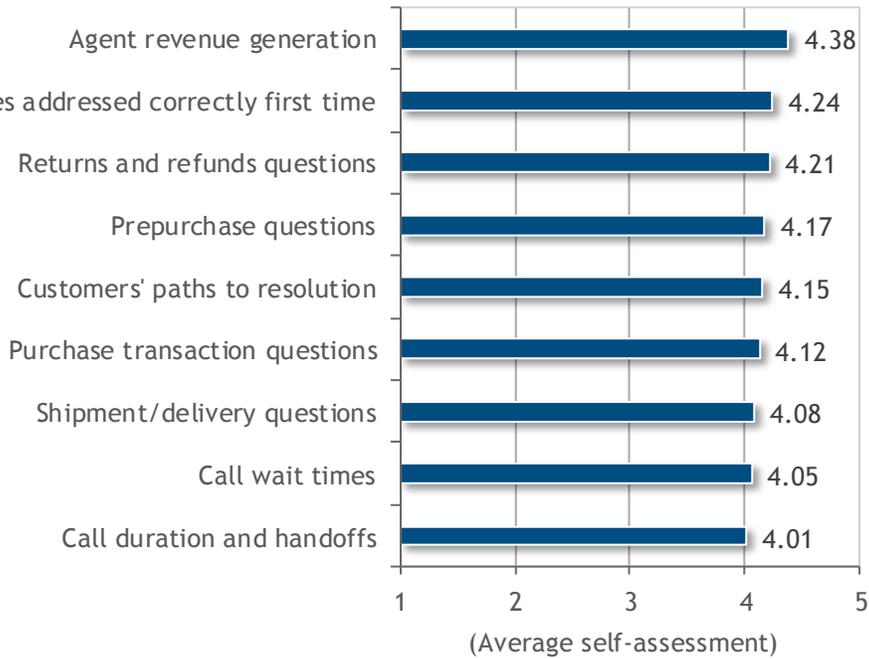
Source: IDC Retail Insights, 2016

Managing for Excellence

What's measured can be managed. Processes that are measured and managed well lead to success. Figure 5 clearly shows that retailers that provide superior customer service excel at measuring and managing the customer experience through the interaction life cycle of each and every transaction.

FIGURE 5

Excellence at Every Turn of the Customer Service Cycle



n = 350

Note: Data is measured on a scale of 1 to 5, where 1 = poor and 5 = very good.

Source: IDC Retail Insights, 2016

TECHNOLOGY AND ANALYTICS CAPABILITIES FOR CUSTOMER SERVICE

Utilization of enabling technologies, data sources, and analytics across important dimensions of customer service varies considerably. Only a few, notably Facebook for social data and analytics, are approaching saturation. There's a lot of interest among customer service executives to adopt many other tools of the trade. They want to gain parity or surpass their competitors that are already using these tools.

Benefits of Technology Adoption

Figure 6 demonstrates that an overwhelming majority of retailers believe that adoption of a select set of technologies will improve their customer service. Data visualization tools and dashboards on mobile devices, in particular, carry the most promise. Half of the retailers we surveyed see these technologies as having significant impact. In IDC Retail Insights' opinion, they'd generate the most benefit in call center operations, workflow, and associate management, especially when coupled with customized metrics and KPIs, another capability holding great promise. These tools are only as good as the data they're fed. Not surprisingly, retailers expect improvement from adoption of plug-and-play connectors for social, other external, and enterprise data. There's also promise in business collaboration tools.

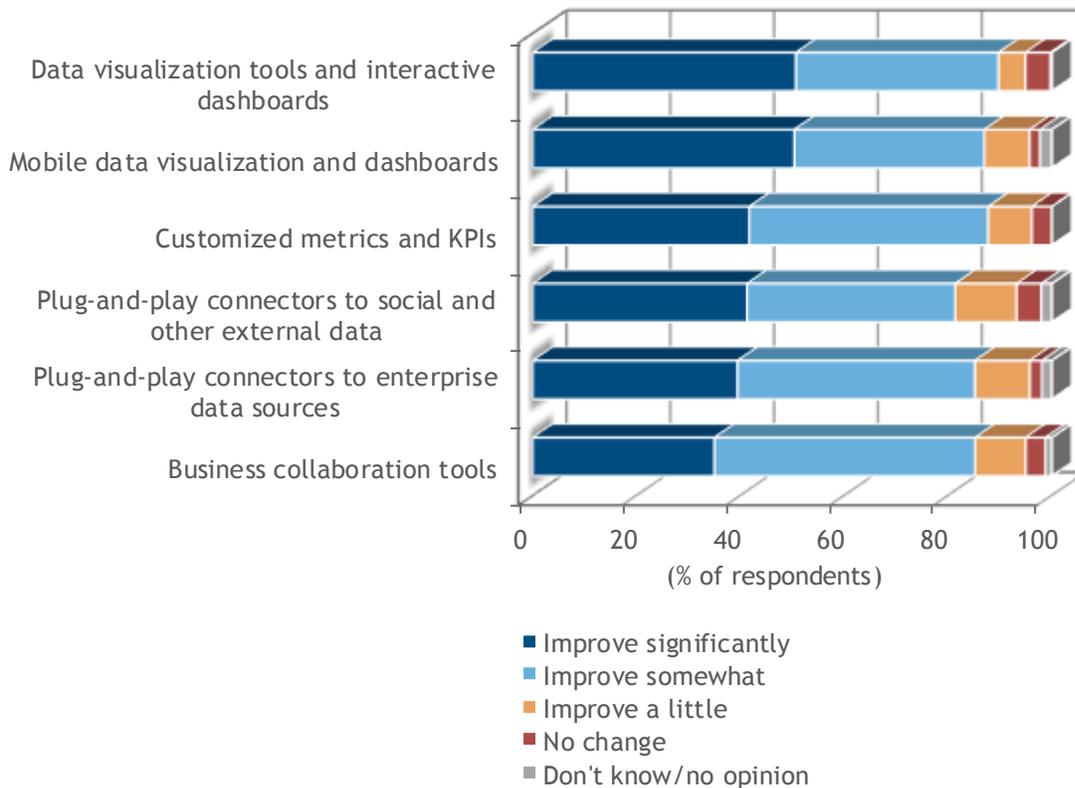
"Our systems are homegrown, not integrated. I literally have to go to five different places to monitor my KPIs. I don't have a dashboard at my fingertips." -----

"We are actually very data rich. The challenge is presenting it in a way that is consistent and meaningful." -----

"When you have a scorecard, you can really play the game to win."

FIGURE 6

Key Technologies to Improve Customer Service



n = 350

Source: IDC Retail Insights, 2016

Opportunities to Extend Data Sources and Analytics

We looked at four categories of data analytics related to customer service – social, CRM, website, and marketing campaign. Retailers told us which applications they currently use for each category, the ones they'd like to use, and those that hold no interest for them.

We found what you'd expect – dominant vendors in each category – and something you wouldn't expect – high demand for other vendors with low market shares in each of these categories. Two different patterns emerged. In one pattern, evident in CRM and web analytics, retailers want to use more applications from their preferred suppliers – Salesforce in CRM and Google in web analytics. In contrast, in marketing campaign and social analytics, retailers want to add capabilities from different vendors. In marketing campaign analytics, where Facebook Ads and Google AdWords hold dominant shares, there's broad interest in DoubleClick (Advisors and Publishers) and Bing Ads. In social data and analytics, where retailers rely, by far, most on Facebook, there's sizable interest in Instagram, Vimeo, and LinkedIn.

CONCLUSION: SERVE THE CUSTOMER TO SECURE RESULTS

The consumer is empowered by technology and emboldened by high expectations. Retailers have to put customer service, the tip of the spear for delivering superior customer experience, on an equivalent footing. Taking a company forward to serve tomorrow's customers is neither a footrace nor a marathon. It's a series of sprints choreographed with the precision of a quickstep. Competition for distinction through superior customer service will be played out with new rules and tools. Your customers make the rules based on their best experience anywhere. That's their minimum expectation everywhere. Transparency and flawless execution are only the start. Success depends no less on coordination across functions and departments, alignment on metrics, pervasive commitment of culture that starts at the top, and knowledgeable and engaged store associates and customer service teams.

Investments in information technology will pay their highest returns when management's attention is focused on achieving these key capabilities. Customer service technology investment must be coordinated across a few core dimensions, each a complex set of requirements: high-quality data available when and where it's needed, prescriptive analytics and insight aligned to the task at hand – each user's "job to be done," technology that's reliable and adaptable, and predictive process management.

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