

World-class customer interaction

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Photo by Kearney alumnus

A mix of art and science can shape interaction around customers' needs and create value.

What do Amazon, Zappos, Apple, and Revolut have in common? They belong to a small band of companies that can justifiably claim to interact with customers in a way that truly meets customers' needs. The net result: higher customer satisfaction, more sales, loyal customers, and lower acquisition and service costs.

By relentlessly refining the customer interaction experience, these "digital natives" are extending their lead over traditional companies. For businesses encumbered by legacy infrastructure and IT systems and product-/push-focused cultures, catching up with these leaders is tough. Tellingly, the most famous example of an incumbent telco that has reinvented its customer care model, T-Mobile US, is doing so by driving an "un-carrier" (that is, a "non-telco") approach and prioritizing experience over everything.

Pursuing the customer interaction strategy outlined in this article will play a major part in a company-wide transformation toward customer centricity.

Indeed, many incumbent companies don't know where to start in the pursuit of state-of-the-art customer interaction. Here are some of the challenges they face:

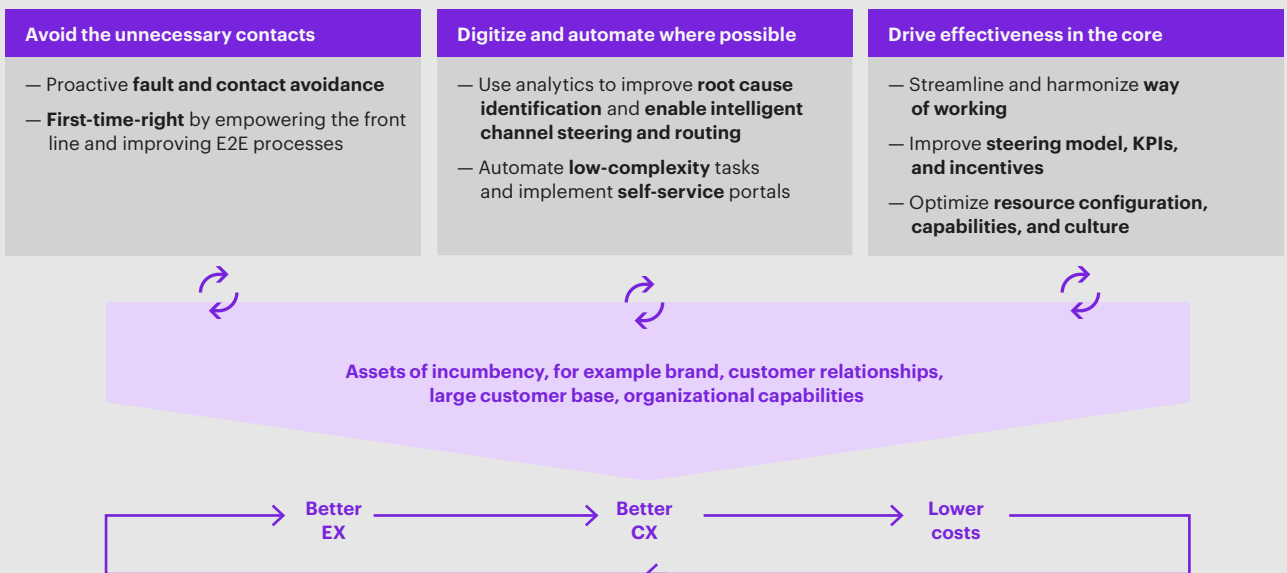
- How do you *profitably* keep up with ever increasing customer expectations? As a good experience is not yet a hygiene factor, there is a window of opportunity to turn it into a brand differentiator.
- Where to balance fierce digitization with any (legacy) advantages from human contact (for example, ability to realize empathy, trust, or personalization).
- How to drive new (digital, social) channel adoption and change the ingrained habits of your customer base.
- How to transform to new ways of working when your people have decades of experience working in “the old ways.”

- How to solve the IT legacy challenge to be able to compete with digital native players.
- How to fund long-term investments in new service models and technology amid shareholder pressure for short-term results.

Over the past decade, we have worked with numerous clients to transform their customer interaction experience, drive down costs, and fund innovation. Our three-pronged approach calls for contact avoidance, broader and smarter digitization, and an optimized core, while taking advantage of the strengths and assets of incumbency (see figure 1). In this way, clients have successfully operationalized customer centricity throughout their customer service.

Figure 1

We strongly believe in three coordinated efforts to drive down costs and improve CX and EX: contact avoidance, digitization, and better handling of what remains



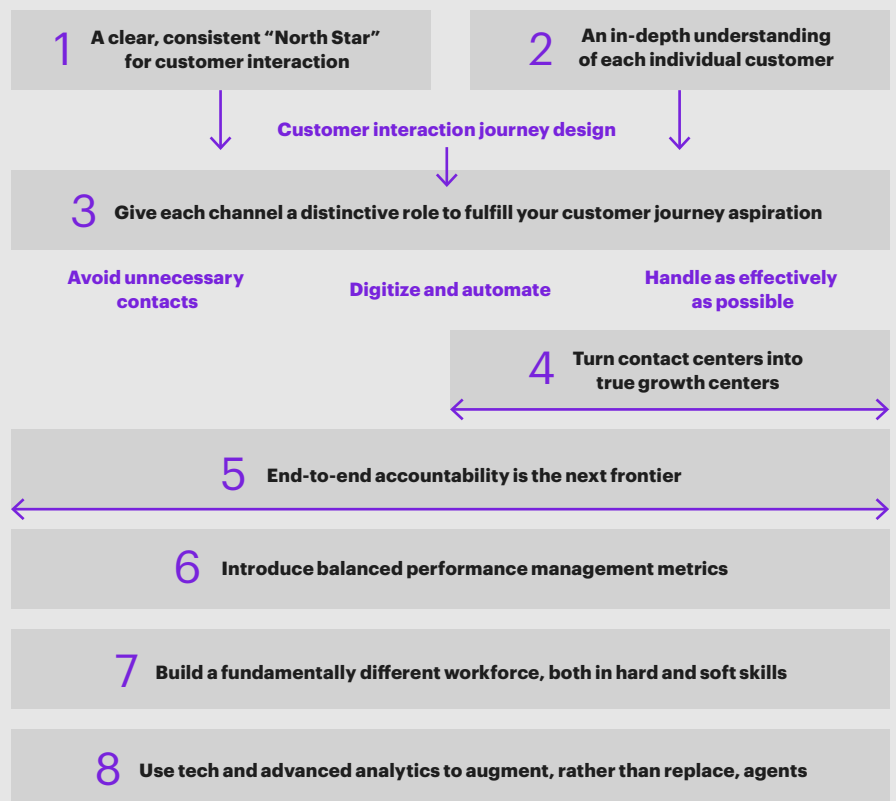
Note: CX is customer experience; EX is employee experience; E2E is end to end.
Source: Kearney analysis

While this article focuses on customer interactions and contact center excellence, these elements do not exist in a vacuum. The various components of the customer experience are highly intertwined. For example, brand or price/value positioning will govern customers' expectations of their interactions with the business. Any faults in the products or service complexity can impact the volume hitting the contact center downstream. Different parts of the customer journey from engagement to conversion to service are now intertwined, with channels increasingly fulfilling multiple roles.

Unlike digital natives, established companies are not greenfield operations, which can be both a strength and a weakness. For long-standing businesses, a transformation of customer interaction will typically require a comprehensive turnaround, which can take multiple years to complete. Therefore, a pragmatic approach is crucial. In our view, eight mission-critical elements are required to achieve and sustain state-of-the-art customer interaction capabilities (see figure 2).

Different parts of the customer journey from engagement to conversion to service are now intertwined, with channels increasingly fulfilling multiple roles.

Figure 2
Eight mission-critical elements can help achieve top-notch customer interaction capabilities



Source: Kearney analysis

Figure 3

Although “good care” can come in many shapes or forms, we see three main archetypes, varying along the personalization vs. standardization dimension

Customer interaction archetypes



Best-in-class companies truly shape themselves around customer needs; the best setup varies with industry conditions and business priorities.

Sources: company websites, J.D. Power Study; Kearney analysis

1. A clear, consistent “North Star” for customer interaction

If leaders can create a compelling narrative making the case for change, and rally employees around a common aspiration and purpose and resulting customer promise, they will put an important stake in the ground. Designed to inspire the organization, a North Star is more than just a mission or a vision statement: it provides clarity for the organization on the ambition and their role in delivering it. At the same time, it avoids a classical fixed strategic plan that will rapidly become out of sync with reality. This approach is designed to drive a “future back” transformation, rather than one that is “problem forward.”

Although “good” customer interaction can come in many shapes or forms, we see three main archetypes, ranging from a high degree of personalization to standardization, as shown in figure 3. The choice of archetype should be aligned with customer expectations and the overall company strategy. For example, the “Team of Experts” model deployed by T-Mobile US is part of a broader mission to “fix a broken industry” and address customer pain points.

The North Star should be accompanied by customer-obsessed leadership. Leading by example, senior executives should advocate for the customer internally and externally. At the same time, front office employees, who have a key role to play in driving customers’ experiences, need to be empowered to excel in customer centricity and make the right trade-offs between “customer first” and other company objectives in their daily work (see section 5 on end-to-end accountability for more on this topic).

2. An in-depth understanding of each individual customer

To be viable for both your customer (customer centricity) and your company (affordability), a customer interaction journey needs to focus on creating a “wow” experience during the *moments that matter*.

In-depth customer insights are vital to really understand what matters to customers when, where the biggest impact can be made, and what the economics for the company look like. This applies whether you are:

- Trying to improve your value proposition
- Removing the operational root causes of flaws in your customer service journey
- Routing customers to the most effective channel for resolution of their issue
- Enticing customers to use digital channels
- Allocating scarce resources to customer service improvement efforts

Through analytics, you can track all your customers across all “customer jobs” and all channels in real time.¹ The resultant data can be combined with internal and external data on customer characteristics and outcomes to feed machine learning algorithms. This approach makes it possible to truly understand the performance of your current customer service journey, identify improvement potential and its expected impact on an ongoing basis, and proactively respond to likely customer behavior (see figure 4).

We have come a long way since we were reliant on backward-looking surveys of a small number of customers to inform our customer interaction strategy. Leading companies have systems that capture, analyze, and act on the “voice of the customer.” By setting up an agent-driven mechanism to address customer pain points and the root causes of contacts, you can capture employees’ input on improvement opportunities, based on their first-hand observation of customers, and increase ownership among your staff.

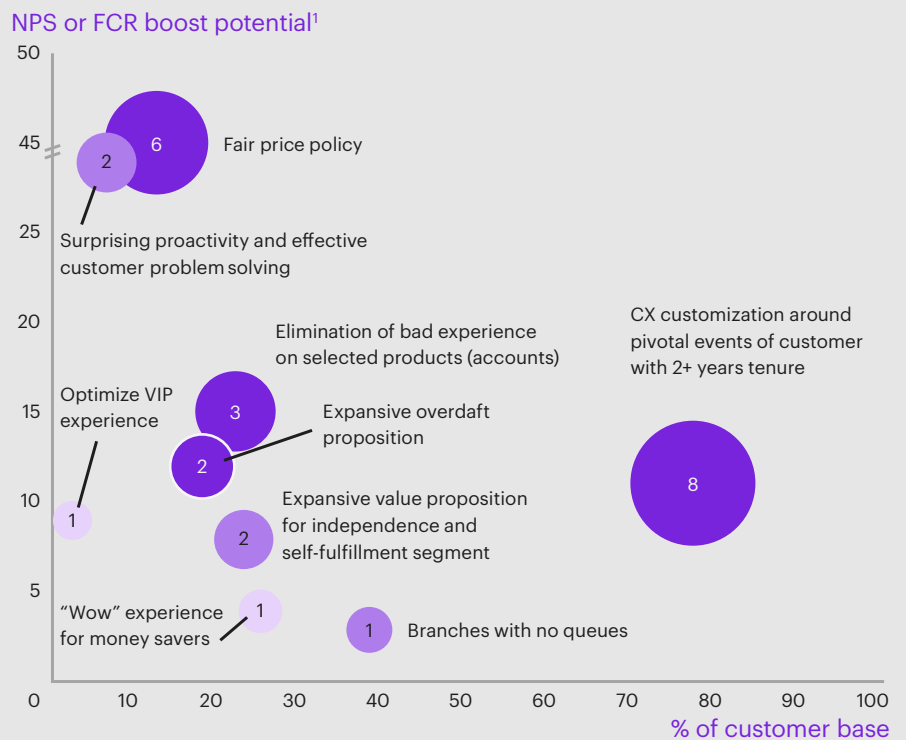
Analytics is crucial to enable you to focus on addressing exactly those points that will really make a difference for customers and commercially for your company.

¹ Customer jobs are the functional activities that customers want the organization to help them accomplish: for example, buy a product, repair a broken product.

Figure 4
Analytics can be used to identify “hotspots”: the opportunity areas most likely to have the highest impact on customer satisfaction

Banking client example

- Priority 1
 - Priority 2
 - Priority 3
- Bubble size represents estimate of overall impact



¹Net promoter score or first contact resolution difference between affected customers and a reference point (for example, level of another product or customer segment)
Sources: ongoing relational and transactional NPS surveys, campaign data, products data, complaints data; Kearney analysis

3. Give each channel a distinctive role to fulfill your customer journey aspiration

The boundaries between engagement, sales, and service and between physical and digital channels are disappearing. As a result, a holistic strategy that addresses the multiple roles of all channels along the customer journey is becoming more and more important (see figure 5).

Customer centricity does not mean opening up all channels for all customers across all “customer jobs.” Channel steering is vital, balancing customer convenience with your company’s objectives in terms of value creation (for example, brand recognition, sales, customer loyalty) and cost efficiency. Although it is important to make more interactions digital, it is crucial to realize that expectations of what a convenient mode of interaction is differ between customers. For certain high-value interactions, you want to have humans involved.

While there needs to be consistent communication, information availability, and seamless cross-overs between channels, a customer needs to be steered to those channels that can deliver the easiest resolution to his or her request.

Although the *need* for physical touch points is decreasing, incumbents can use customers’ *desire* to use physical channels to gain an edge over digital pure players. This involves smartly integrating digital features (for example, video chat, making appointments or checking in-store inventory online, or 24/7 self-service kiosks) and enabling multiple purposes in physical channels (for example, creating brand awareness and driving product experience, next to sales and service transactions).

Figure 5
Customer journey design should drive channel strategy: reinvent channels around a distinctive role for each, instead of selectively developing features

Example banking industry

	Future role	Future transformation
Mobile platform	<ul style="list-style-type: none"> — Quick portfolio overview — Efficient transaction processing — Allows processing of basic requests 	<ul style="list-style-type: none"> — The first, most common means of interaction — Easily available, addressing all common needs — Well linked with CC and online
Online platform	<ul style="list-style-type: none"> — Full portfolio overview — Efficient request and transaction processing (all customer needs) — Analytics and reporting for the customer 	<ul style="list-style-type: none"> — Full onboarding and servicing platform allowing full scope of services, well linked with CC and mobile — Event-based, customer-journey-driven experience
Contact center	<ul style="list-style-type: none"> — Provides information — Serves role of customer care center — Assists customer with use of data mining/machine learning 	<ul style="list-style-type: none"> — From human-heavy CC to customer-oriented contact center — Multichannel—bots, chats, video, s-media — Machine learning and data mining
Physical network	<ul style="list-style-type: none"> — Advisory on complex products — “Human touch” in discussions with significant impact on the customer, for example, long-term/high-value — Shift to digital 	<ul style="list-style-type: none"> — Branch format management — Innovative formats vs. old-school branches — Advisory and complex products — Staff: few but highly qualified
Intermediaries	<ul style="list-style-type: none"> — Sales channel for products where building network is justified or customers still require physical contact/want to have a third-party view on the offer 	<ul style="list-style-type: none"> — Safe harbor for complex products where other banking channels are not sufficient — Built around trust and customer experience

A holistic strategy across channels is needed to realize seamless journeys. Consistent communication, information availability, and seamless cross-overs between channels are the norm.

Note: CC is call center.
 Source: Kearney analysis

4. Turn contact centers into true growth centers

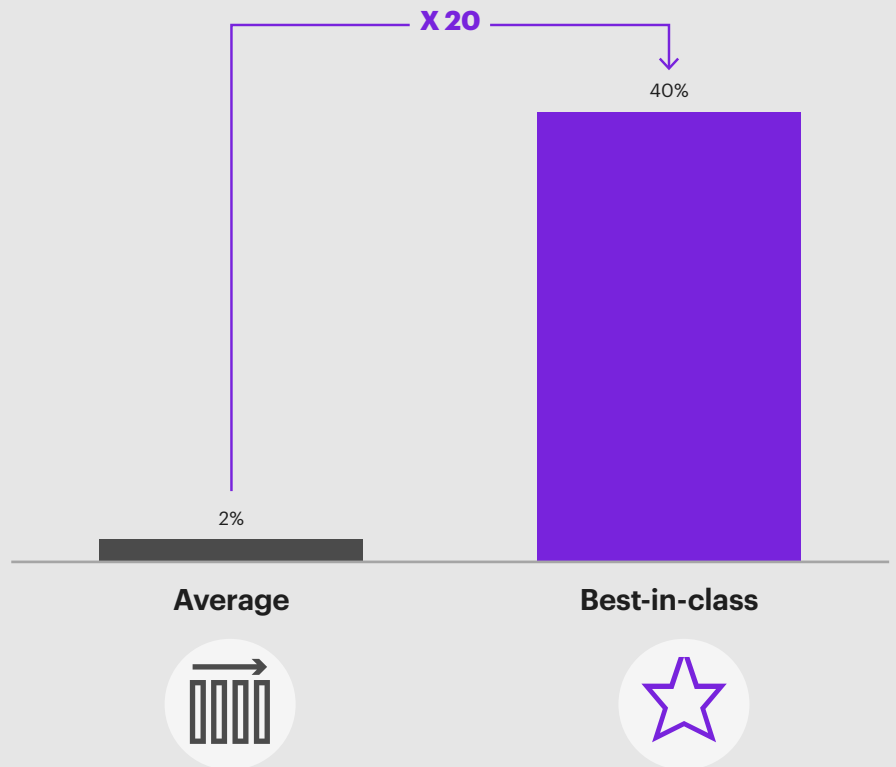
Successful customer-centric organizations, such as Apple or Zappos, regard customer service as a key loyalty (or value) builder and hence give a broad mandate to their customer service organization (see figure 6). They also tend to make the “live” experience a premium experience.

This approach demands a true culture change—both within the contact center and in the rest of the company. The change entails:

- Empowering agents with simplified portfolios and flawless customer journeys (in which they have the “right to sell”)
- Incentivizing the “right sales” (focusing on customer lifetime value and margin, not volumes) and avoiding channel competition (rewarding every channel involved)
- Fostering a high-performance culture and atmosphere from recruitment, to training, agent incentives, and performance management

Again, analytics is a key enabler to optimize routing for conversion (taking customer value potential and agent skills into account) and to support agents in suggesting the “next best action” or offer.

Figure 6
Leading companies achieve cross-, upselling, and new sales in as much as 40% of inbound calls



Source: Kearney analysis

5. End-to-end accountability is the next frontier

Best-in-class organizations manage customer support as part of the customer relationship, not as individual transactions. They establish a single point of “flow” or process accountability to take out unnecessary transfers and drive first contact resolution—comparable to removing “waste” from processes in the lean philosophy. These players empower agents to act and fully solve the customer’s problem so they don’t have to call back. It may sound too good to be true, but when you empower the front line to do their job, it makes both customers and employees happier and reduces costs (for example, through proactive fault and issue/contact avoidance, first time right, reduced transfers, shorter leads times, and lower attrition).

Many organizations already orchestrate all customer interactions “out of one hand” as the boundaries between engagement, sales and service, and physical and digital have blurred, coupled with a growing need for seamless customer journeys across channels. At the board level, so-called chief customer officers have emerged, while front-line teams are becoming increasingly multi-skilled and empowered with a broad mandate. The next step is end-to-end process accountability, which requires cross-departmental collaboration, for example, between the customer interaction department and other functions, such as marketing, technology, and supply chain.

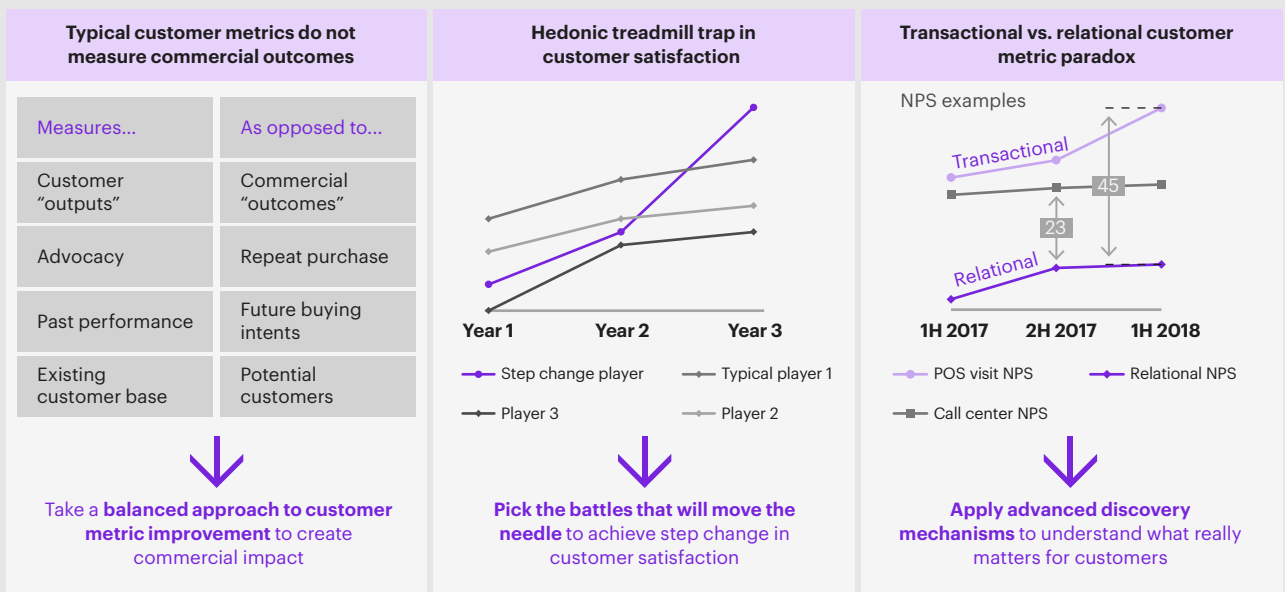
6. Introduce balanced performance management metrics

Although the net promoter score (NPS) is celebrated for its simplicity and universal implementation, it provides an incomplete view: it is backward looking in nature, does not measure real commercial outcomes, and limits analytical insights for diagnosis and improvement (see figure 7).

Figure 7

The way most companies measure customer satisfaction undermines diagnosis and improvement

Challenges and learnings to improve customer satisfaction



Source: Kearney analysis

Customer interaction KPIs should focus on P&L ownership and accountability, balancing value creation, customer experience, and efficiency. We, therefore, recommend complementing NPS with metrics that predict future customer behavior and commercial value: first contact resolution, customer effort, and—depending on your industry—customer lifetime value/repeat purchases.

As today's contact center platforms can capture and link vast amounts of customer and interaction data, it is now possible to measure performance very accurately and drive continuous improvement at a company level. However, all the resultant data does not need to be represented in agents' and team leaders' dashboards and performance scorecards: agent KPIs should be limited to a handful to maintain performance focus. At the same time, it is important to make agent KPIs partially team-based to incentivize collaboration and accountability.

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7. Build a fundamentally different workforce, both in hard and soft skills

Digitization increases the need for more complex, advisory-oriented capabilities in live channels. Shop and contact center agents need to expand their capabilities and become interchangeable. End-to-end accountability requires in-depth process understanding and the proactive involvement of the second line and back office.

At the same time, the COVID-19 pandemic has accelerated the adoption of work-from-home practices. Although there will be a partial return to the workplace, remote work will become an integral part of contact center operating models. As a result, organizations will benefit from lower facility costs, lower labor costs due to the ability to hire from low-cost geographies, a bigger talent “fishing pond,” increased productivity from more flexible work schedules (such as split shift), and higher job satisfaction and lower attrition.

However, execution is key for the success of fully remote or mixed models. Various adjustments in the operating model, infrastructure, and tooling are needed. It is crucial to:

- Invest in more coaching and team leads during the transition
- Create a dedicated loyalty function to ensure community focus
- Future-proof device logistics, routing, and security
- Adopt digital recruitment, training, quality, and collaboration tools

As a result, contact center teams will become more diverse, with a mixture of sales and service skills, while encompassing introverted work-from-home agents and extraverts that thrive in high-energy site environments.

As the contact center is increasingly recognized as an asset, organizations will put more effort into developing their human resources. That will translate into an increased focus on new skill models; continuous training and personal development; vertical, horizontal, and international career paths; and work environment and employee recognition (both monetary and non-monetary).

8. Use tech and advanced analytics to augment, rather than replace, agents

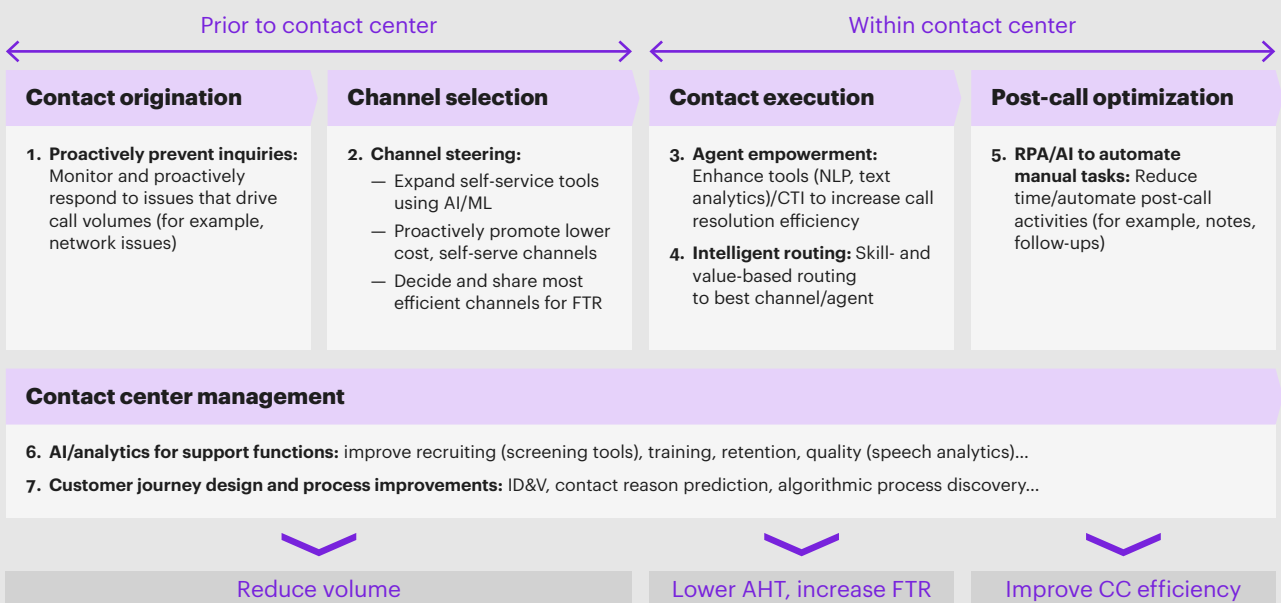
Artificial intelligence and robotic process automation are set to reduce the time human agents interact with customers by 40 percent by 2027. Automation will enhance all stages of the customer service journey from contact origination to post-contact optimization, while enabling key support functions in contact center management and root cause diagnostics (see figure 8). The result will be a technology/human hybrid interaction model. Rather than being replaced by robots, front-line teams will need to be at one with the technology.

But challenges will need to be overcome if businesses are to realize all the opportunities to use technology to improve the customer experience and free up time for value-adding activities. Companies often lack a thorough understanding of potential and existing technologies and competences, as they struggle to keep up with developments and the rapid proliferation of tech vendors, especially in artificial intelligence. To avoid working with high-risk suppliers that may lack key capabilities or funding, organizations have to embark on long, complex projects to properly identify the right use cases and vendors. At the same time, organizational reluctance and fear of FTE reduction is hindering acceptance and adoption.

Another major source of failure is the lack of a 360-degree view of the customer arising from an inability to integrate different IT systems—the ability of any tool, no matter how sophisticated, to generate useful insights ultimately rests on the quality of the data it is able to use.

Figure 8

AI and RPA use cases span all stages of the customer service journey and enable key support functions



Note: AI is artificial intelligence; RPA is robotic process automation; ML is machine learning; FTR is first time resolution; NLP is natural language processing; CTI is computer telephony integration; ID&V is identity and verification; AHT is average handle time.

Source: Kearney analysis

To realize the potential to employ tech in contact centers, you need to start by deciding the route to pursue (following your customer interaction vision) and define the priority technology use cases and the speed of deployment that comes with that. Deep knowledge of the vendor landscape is key to scan and select vendors that are best fit for the high-priority minimum viable products. Moreover, a thorough understanding of operational and customer satisfaction drivers is needed to develop a meaningful business case to justify the investment up front. It will be important to use a pragmatic, use-case-driven approach to initiative prioritization, generating value with imperfect data and spreading tech adaptation across the organization.

While the challenges are large, we see big opportunities for incumbents to use customer interaction for brand differentiation and value creation.

How to jump-start your journey to state-of-the-art customer interactions

In conclusion, jump-starting customer interaction transformation all starts with a clear “North Star” vision and leadership commitment to a related customer interaction model, grounded in a fact-based understanding of your customers’ needs and expectations, competitive positioning, and current performance. Analytics, tech, and an increasingly empowered workforce present tremendous opportunities. Realizing these opportunities requires a transformation that extends beyond the traditional walls of the contact center, collaborating across channels, functions, departments, and physical locations. In line with our three-pronged strategy, customer interaction transformation will:

- Reduce unnecessary interactions as much as possible, through first contact resolution, proactive fault avoidance, and continuous root cause analysis and improvement
- Drive effective digital channel adoption by developing the fact base to identify the segments and interactions to move to digital, streamlined digital experiences, and targeted migration interventions
- Handle the remaining customer jobs in the channel and in the manner that creates the most value, balancing customer expectations and needs for convenience and instant resolution with company objectives to increase customer lifetime value and realize cost efficiency

This logic applies to digital natives and traditional in-house centers, as well as outsourced units and everything in between.

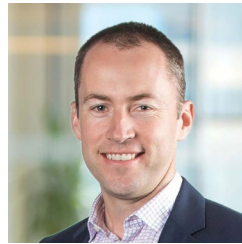
Pursuing the customer interaction strategy outlined in this article will play a major part in a company-wide transformation toward customer centricity. In this, incumbents are often playing catch-up to digital natives. While the challenges are large, we see big opportunities for incumbents to use customer interaction for brand differentiation and value creation. But the window of opportunity is narrowing, as (technological) developments and customer expectations continue to advance.

At Kearney we are passionate about achieving real results with organizations. We have world-leading experience in customer experience and customer care and we work in the board room as well as in the contact center with agents and team leaders to truly shape interaction models around customer needs and close the gap with digital natives.

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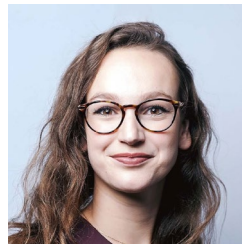
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