

On the front lines

The role of information in enhancing customer service

A report from the Economist Intelligence Unit
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Preface

On the front lines: The role of information in enhancing customer service is an Economist Intelligence Unit report, sponsored by Microsoft. The findings and views expressed in this report do not necessarily reflect the views of the sponsor.

The Economist Intelligence Unit's editorial team executed the survey, conducted the interviews and wrote the report. Kim Andreasson was the editor and project manager. Ken Waldie was the author. Mike Kenny was responsible for the design of the report. The quantitative findings presented in this report come from an online survey of 110 executives in the customer service function conducted by the Economist Intelligence Unit in February and March 2010.

To supplement the quantitative survey results, the Economist Intelligence Unit also conducted in-depth individual interviews with senior executives. Our thanks are due to the survey respondents and interviewees for their time and insight.

July 2010



On the front lines

The role of information in enhancing customer service

Introduction

Customer service professionals play a critical role in most companies because they are the people customers are most often in contact with, especially when problems arise. In today's unsettled market environment, the ability to build a deep understanding of evolving customer needs and expectations can make a competitive difference. Increasingly, these expectations are shaped by interactions via web portals, online forums, social media and other new information channels. Gathering information from these sources and integrating it with data from traditional channels is a powerful way of enhancing customer service. This report outlines steps companies are taking to harness technology to integrate these new information sources into successful customer service models.

According to the survey of customer service professionals conducted for this report, 71% of respondents say their organisation is proactive in using new information sources to enhance customer service productivity growth. But nearly one-half also say their company does not do enough to leverage new technology as part of the firm's growth strategy.

Survey respondents point to the cost and complexity of implementation as the main barriers to successful new initiatives in the customer service function. By contrast, a lack of knowledge of new technology and difficulties in adopting technology are at the bottom of the list of barriers. In order to excel in this area then, companies need to overcome problems in execution rather than technology. Thus respondents point to active involvement of senior management and effective communications with customers as the most important factors for the successful integration of new initiatives in the customer service function. Best practices, as suggested by the survey of customer service professionals and

About the survey

In order to assess how organisations are enhancing productivity among employees working in sales and customer service, the Economist Intelligence Unit conducted an online survey of 236 executives in these two functions in February and March 2010.

The quantitative findings in this report come from the 110 respondents in customer service. Of these, 43% are at the vice-president level or above and 46% represent companies with global annual revenues of US\$500m or more. Respondents are primarily based in Asia-Pacific (31%), Europe (25%), and North America (24%). Survey takers also represent a broad range of industries, led by financial services (18%), professional services (18%), and education (10%).



On the front lines

The role of information in enhancing customer service

executives interviewed for this report, tend to focus on strategies for managing technology rather than tactical solutions to specific customer-service challenges.

Firms are increasingly integrating new information sources such as social media, online forums and other new information channels into their customer service models. This is happening at a time when customers are interacting online with other customers, whose opinions they often trust more than they do the vendor's. Companies can often improve customer service by monitoring these online conversations and sometimes participating in them. "You want your mindset in the same place as the customer," says Marty St. George, SVP of marketing and commercial strategy at JetBlue, an American airline. "And there is a subset of customers who will give you great insight into what's on their minds. It is the ultimate canary in the coal mine. You will know exactly what the customer experience is on a day-to-day basis." (Mr St George has responsibilities that include customer service, as do the other executives interviewed for this paper.) Companies that fail to take advantage of these opportunities to improve customer service face a difficult future in hotly contested markets where consumers have more choices than ever.

Enhancing customer service productivity by integrating new sources of information effectively is not easy. But given the importance of customer service, no matter the economic climate, it is something that needs to be addressed. This Economist Intelligence Unit report outlines the challenges and opportunities involved. Key findings from the research are:

- Customer service professionals need rapid access to specific customer information to help differentiate their companies in the minds of consumers.
- Strategic use of new tools and effective ways to manage people are critical factors in ensuring success.
- Customer service innovations will not be successful unless they are based on a deep understanding of customer needs and expectations.
- Automation of administrative tasks is an important driver of customer service productivity.



On the front lines

The role of information in enhancing customer service

How customer service makes a durable difference

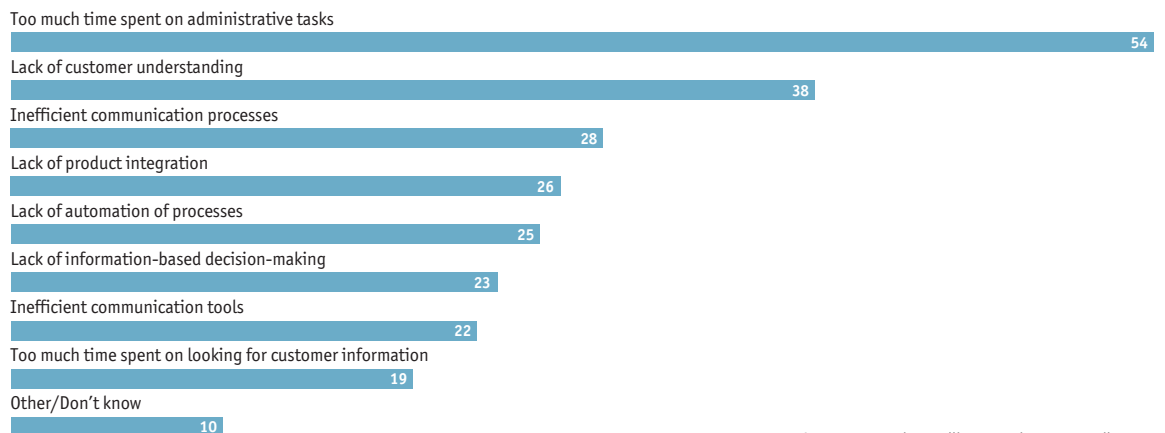
By enhancing the consumer's experience, effective customer service can help differentiate a company from its competitors. This makes customer service productivity a critical challenge in the face of the trend towards commoditisation of products and services. A previous Economist Intelligence Unit survey of 558 executives across six industries found that just over one-half of respondents said customers viewed their products and services more as commodities than they did than five years previously, but a similar proportion of respondents said their organisation's customers were more loyal than those of their competitors.

In response to commoditisation, all customer-facing functions play a role in differentiating their company's products and services. Customer service professionals, for example, can deliver customer satisfaction even in situations where the product or service has initially failed to meet expectations. Moreover, their work greatly influences the image of the company that remains in customers' minds, driving repeat business.

More time spent servicing customers would seem a blindingly obvious way to enhance productivity, but this is easier said than done. Over one-half of respondents perceive "too much time spent on administrative tasks" as the biggest obstacle to higher productivity. To succeed in this area, customer

Biggest obstacles to productivity growth in the customer service function

(% respondents)



Source: Economist Intelligence Unit survey, April 2010.

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On the front lines

The role of information in enhancing customer service

service professionals say they need more effective ways to filter information, according to Philip Grosch, a consulting partner at PricewaterhouseCoopers Canada.

Growth through innovation

To improve customer service productivity, a majority of survey takers say their firms are investing in new technology or are planning to do so. More than one-half have made an investment within the past 12 months, while another one-third are in the process of implementing new technology or plan to do so. Only 9% have no plans to invest within the next 12 months.

The survey findings reveal, however, that technology investments alone do not necessarily improve the productivity of the customer service function. Of the 59 respondents whose companies implemented new technologies over the past 12 months, more than three-quarters say it increased customer service productivity. That nearly one-quarter did not see positive results, however, suggests work needs to be done to align the new technologies with the needs of customer service professionals.

This leaves room for improvement in planning, selecting and implementing productivity enhancements. The most important way of ensuring investments are aligned with needs is active

CASE STUDY:

Data-driven customer service

Combining traditional channels, such as telephone support, with new information sources such as web portals and social media sites can produce powerful results. At Netflix, a company well known for its data-driven management approach, the firm uses sophisticated algorithms to analyse information to recommend future rentals to existing customers based on both stated and revealed preferences.

The company makes extensive use of Internet-based rental data and surveys to refine customer service. "On any given day we have more than 200 surveys," says Steve Swasey, vice-president of corporate communications. "We have online surveys, telephone surveys, mall intercept surveys [interviews in shopping malls] and in-home focus groups. We take that information and we put it back into the [company's

information] system."

This strong focus on metrics is behind everything the company does. "At Netflix you're expected to innovate, to create, to collaborate, to improve," confirms Mr Swasey. "It's a very high-performance culture; everyone is expected to present programmes that will improve the Netflix experience. So ideas that are founded in research that shows how they benefit the customer will get funded and pushed through."

But reliance on metrics does not imply that Netflix is locked into Internet-based solutions. Like a majority of the companies surveyed for this report, Netflix supports the effective balance of traditional and emerging communications channels. Mr Swasey explains how this led to an overhaul of the firm's customer service system that went in a surprising direction for a web-based company. "A few years ago, we learned from our customers that the e-mail customer service process was not as efficient as they would have liked. Our vice-president

of Information Technology analysed our customer service traffic data, discovered that we could do it better by phone, and presented a business case. The CEO sent him an e-mail saying 'let's do this'." The key lesson, Mr Swasey says, is that this discovery came from the IT function, not from customer service, which might not have happened in a company with a less integrated management structure.

Netflix eliminated its e-mail-based customer support service and replaced it with a telephone support centre located in Oregon that operates around the clock. This might have seemed counter-intuitive for a web-based company, but Mr Swasey says it was highly successful. "The website is so intuitive that few members need customer service, but those who do [need customer service] want it now. We realised it would be more expensive, but in the long run better for customers. They can call the toll-free number on our website and we have staffed it so that calls are answered in three minutes or less. Pretty much everybody goes away happy."

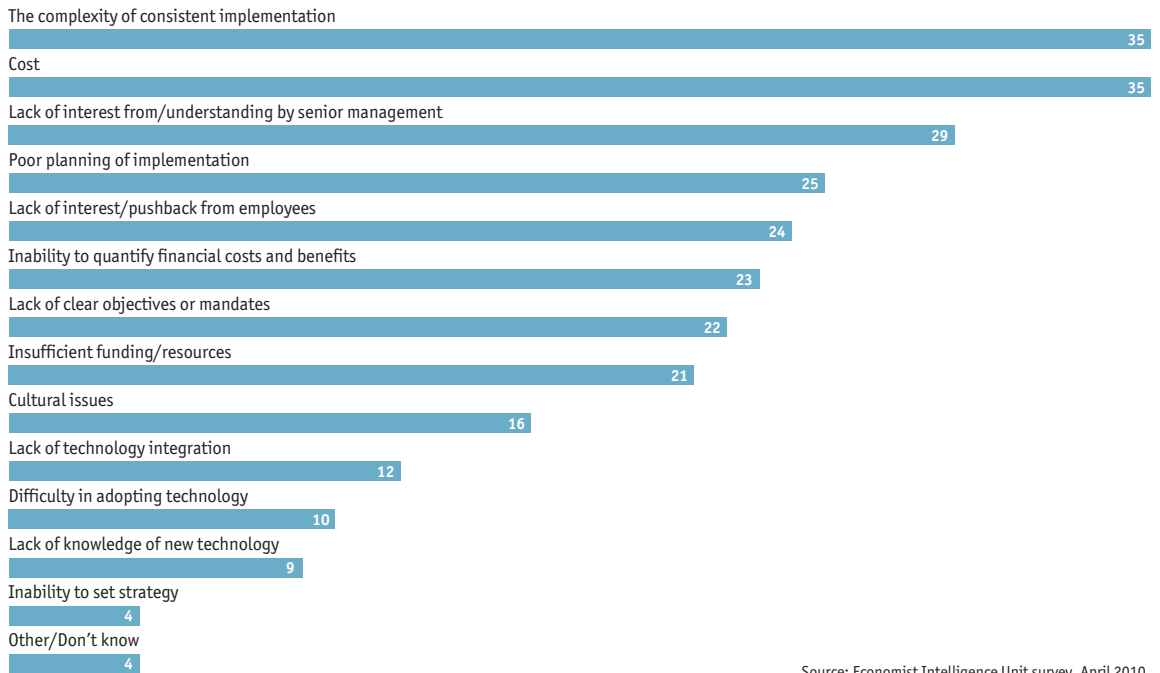


On the front lines

The role of information in enhancing customer service

Biggest barriers to successful implementation of new initiatives in the customer service function

(% respondents)



Source: Economist Intelligence Unit survey, April 2010.

involvement of senior management because this ensures that new initiatives support the whole business. At Netflix, for example, there are no silos: the CEO, Reed Hastings, and his direct reports are involved in every aspect of the business; indeed, they do not separate sales from customer service. “We have a very high level of integration and commitment across the board from our senior management,” reports Steve Swasey, vice-president of the firm’s corporate communications. “This ensures that everyone else is going to be really collaborative.” In effect, the CEO of Netflix is heavily involved in customer service as he is in every other part of the business.

The challenge of execution

The survey shows the vast majority of companies are prepared to invest in new technologies to enhance customer service productivity, but many of them find it hard to execute technological improvements effectively. When asked to name the biggest hurdles to the successful implementation of new initiatives in the customer service function, survey takers most frequently cite cost (35%) and complexity of implementation (35%), followed by organisational factors such as a lack of interest from senior management (29%) and pushback from employees (24%).

Executives offered some insights in the survey into how these hurdles can be overcome. They see involvement of senior management and communications with customers as nearly equally important success factors, far ahead of consultation with employees, or alignment with broader company goals. In other words, while support and clear direction from senior management is essential, customer service



On the front lines

The role of information in enhancing customer service

innovations will not be successful unless they are based on a deep understanding of customer needs and expectations. Survey respondents also point to the establishment of processes, the strategic use of technology and the need for thorough planning before implementation as important factors for successful integration of new customer service initiatives.

Integrating new information sources

Many companies are grappling with the problem of how to integrate new information sources into their customer support programmes. A majority of survey takers say their firms still rely on traditional channels such as e-mail (75%), face-to-face (74%), telephone (61%) and research (60%), while a minority report an emphasis on emerging channels, with 47% relying on self-service, 37% on online portals and only 22% on social media.

Executives say a principal source of resistance to new customer service initiatives is scepticism among employees that new information will actually increase the time available to spend with customers. Mr Grosch of PricewaterhouseCoopers Canada explains that a strategy from senior executives for new information systems is critical, but that buy-in from users is even more important. "Various stakeholders have different needs," he says. "What will add value differs in each case, so the challenge is to articulate the vision and strategy and to demonstrate quantifiable benefits." Proponents of an initiative need to link every change to a business benefit and explain how it will provide insight and support to each stakeholder group. This focus was a key success factor in overcoming the "adoption challenge" during a recent initiative at PwC when the company consolidated information across functions to deliver an integrated offering to its customers.

When new information sources include social media, however, companies are often worried they will lose control of the discussion about their products and services. But many companies have realised that people are talking about them whether they control the discussion or not. In fact, in many cases customer-to-customer messages can supersede those of the company itself. This was the experience at JetBlue, which has more than 1.6m Twitter followers and 132,000 Facebook fans. Mr St. George says the company's social media initiatives enjoyed strong support from senior management from the outset. He attributes this to the firm's forward-looking culture combined with a customer base that is younger and more affluent than its main competitors.

JetBlue decision-makers recognised that these customers are not only already online but are frequently talking about the company. "We recognised that there is no control in the dialogue," Mr St. George says, "and we understood that whether you're in the medium or not has no impact on whether the message is out there. The message is there, and you can address it only by being involved." In JetBlue's case, this involvement takes the form of active responses to customer complaints and enquiries by employees who actively monitor the company's Twitter account and Facebook page.

While the pursuit of customer insight was JetBlue's principal motivation in tapping into these new information channels, Mr St. George also points to substantial productivity advantages in providing customer service. The company uses Twitter, for example, both to provide information directly to customers and to quickly redirect them to appropriate customer service specialists.



On the front lines

The role of information in enhancing customer service

Conclusion

Close to three-quarters of customer service executives say their organisation is proactive in using new sources of information to increase productivity growth. Yet fewer than one-half say their company is doing enough to incorporate new technology initiatives into its growth strategy. This gap translates into substantial differences in business performance. Executives who say their firm is doing enough to leverage technology are twice as likely as other respondents to say they perform more strongly than their closest competitors in terms of revenue growth. Nearly 50% of these executives are more likely to say so for profitability. The results are similar for firms that implemented new technology to boost the productivity of the customer function within the previous 12 months.

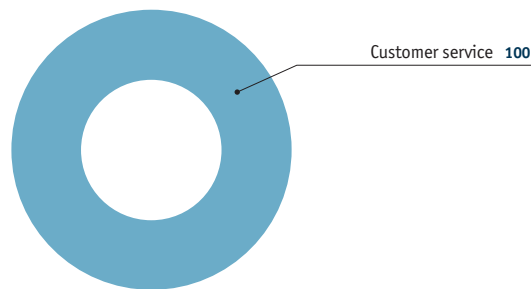
The research shows an integrated approach to customer service can transform the value of the customer service function and help to improve service productivity. For such a process to be effective, companies should:

- **Use technology strategically.** Investments must ultimately improve the customer experience. This means providing customer service professionals with the precise information they need to help customers.
- **Secure senior management involvement.** Hands-on participation in decision-making and not just approval from leaders is a key success factor in any productivity-enhancing initiative.
- **Communicate with customers.** Ensure that customers understand how new technologies will help the company to better meet their needs.
- **Build collective insight.** Effective customer service requires contributions from all customer-facing functions, including marketing, sales, and account management.
- **Plan thoroughly.** Clear objectives and mandates as well as systematic planning prior to implementation facilitate execution of new customer service initiatives.
- **Experiment with social media.** Start with small manageable steps, such as monitoring comments about the company on Facebook, Twitter and other social media, but don't lose sight of core customer service strategies.
- **Use incremental approaches.** Manage user expectations by clearly communicating how a new innovation will improve customer service and then documenting positive outcomes.

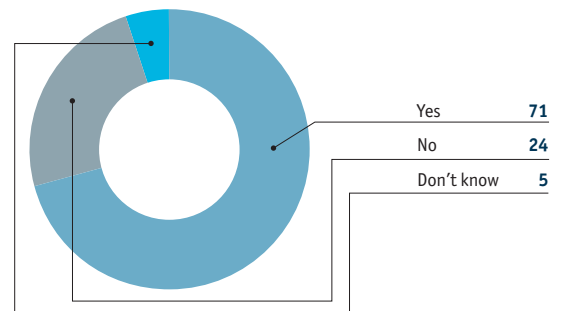
Appendix: Survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

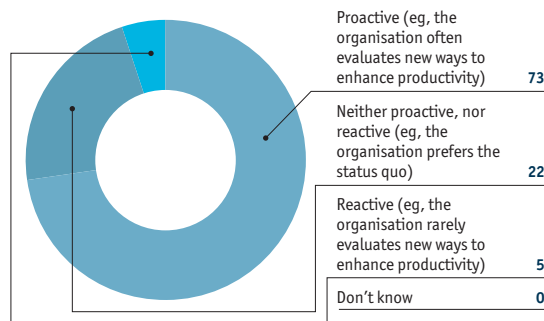
What is your main functional role?
(% respondents)



In your opinion, is your organisation proactive in using new sources of information to increase productivity growth?
(% respondents)

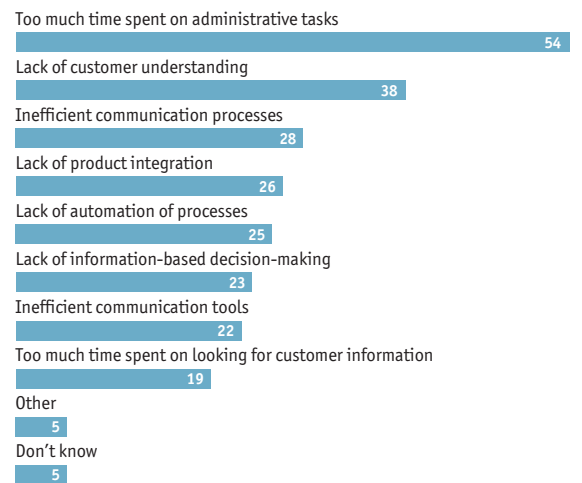


When it comes to your function, how would you characterise your organisation's approach?
(% respondents)

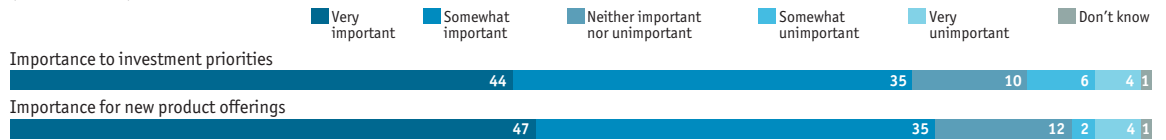


What are the biggest obstacles to productivity growth in your function at your organisation?

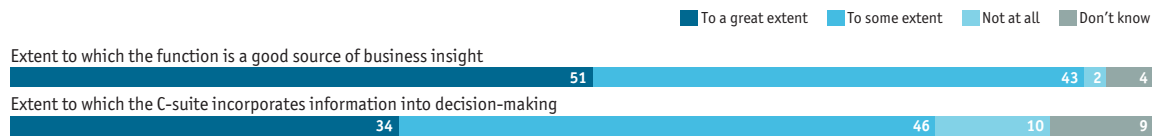
Select up to three.
(% respondents)



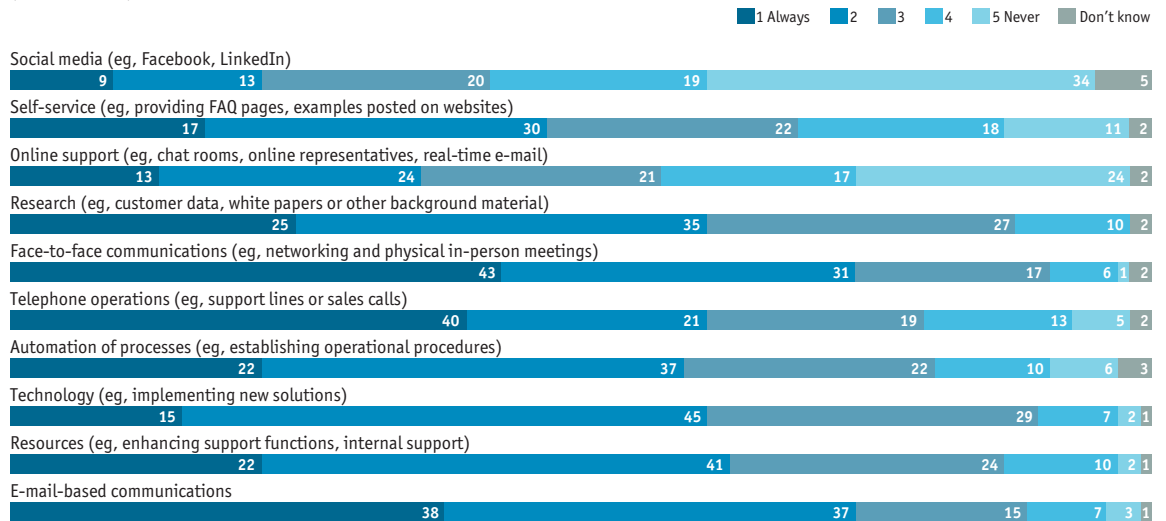
Relative to other functions, how important is your function to your organisation's investment priorities? And relative to other functions, how important is your function at your organisation in generating ideas for new product offerings?
(% respondents)



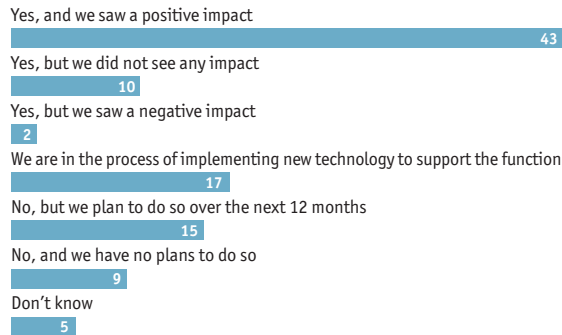
To what extent is your function a source of good business insight at your organisation? And to what extent does the C-suite at your organisation incorporate information from your function in its decision-making?
(% respondents)



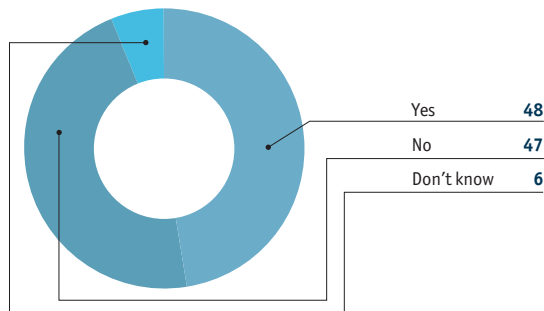
To what extent does your function rely on the following activities?
Rate on a scale of 1 to 5, where 1=Always and 5=Never.
(% respondents)



In the past 12 months, has your organisation implemented new technology to boost the productivity of your function?
(% respondents)



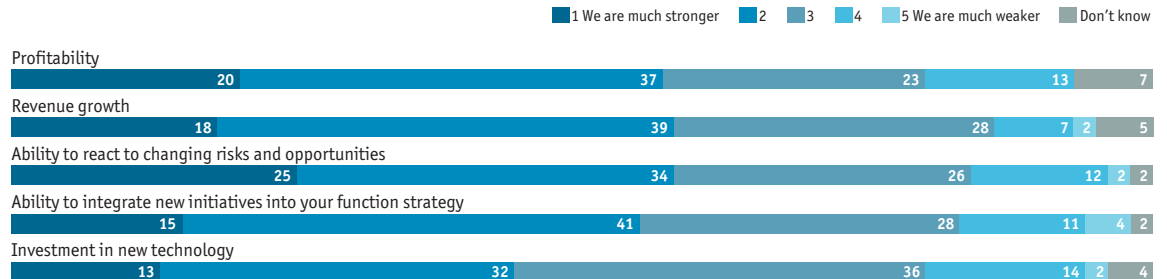
In your view, does your organisation do enough to leverage new technology into business growth strategy?
(% respondents)



What are the biggest barriers to successful implementation of new initiatives across your function?
Select up to three.
(% respondents)



In your opinion, how does your organisation compare with its closest competitors in the following areas?
Rate on a scale of 1 to 5, where 1=We are much stronger and 5= We are much weaker.
(% respondents)



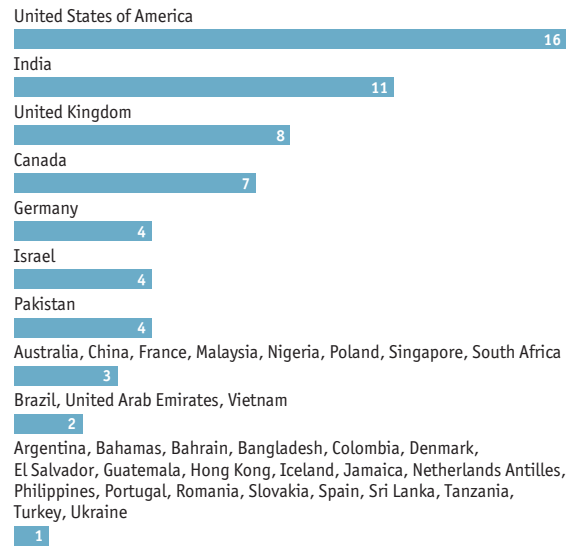
In your opinion, which of the following factors are most important for the successful integration of new initiatives at your function?

Select all that apply.
(% respondents)



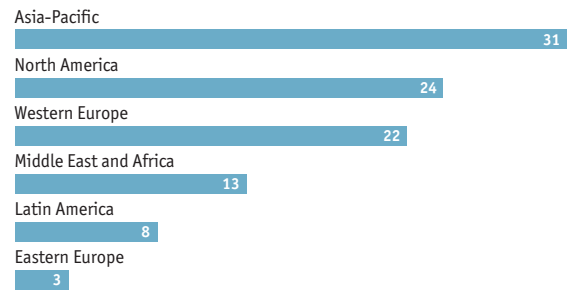
In which country are you personally located?

(% respondents)



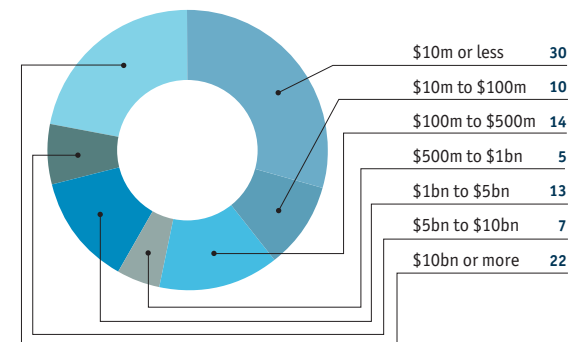
In which region are you personally based?

(% respondents)

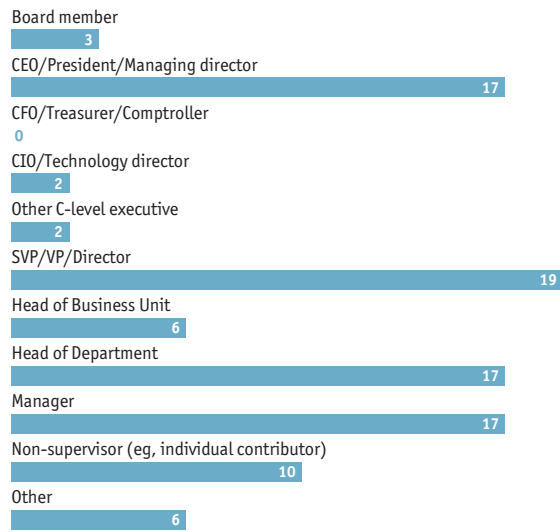


What is your organisation's global annual revenue in US dollars?

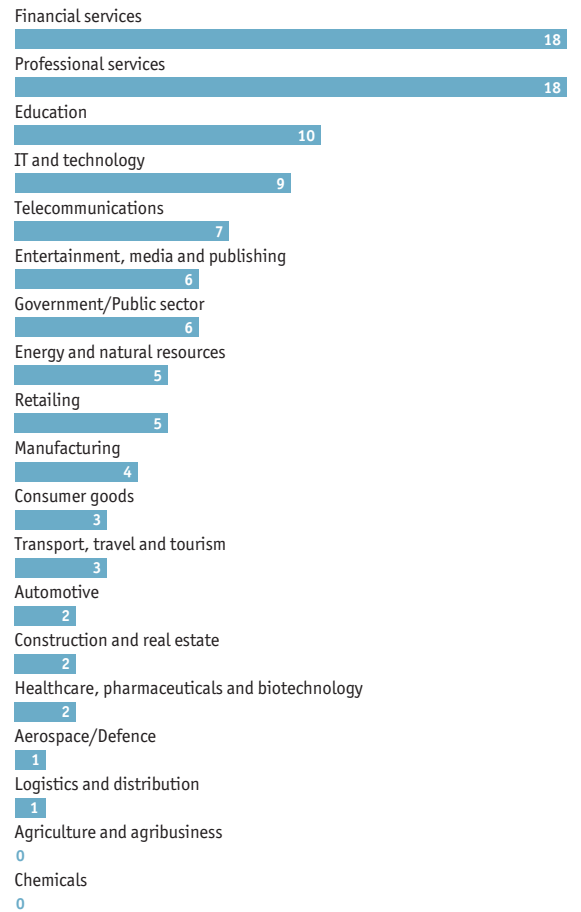
(% respondents)



Which of the following best describes your job title?
(% respondents)



What is your primary industry?
(% respondents)



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