OLIVER WYMAN

THE DIGITIZATION OF CUSTOMER SERVICE

INTRODUCTION

"The best service is no service" – Bill Price and David Jaffe, 2008[1]

Eight years after Price and Jaffe gave that advice, telecom operators have still not taken it: The provision of customer service by human representatives is still at the heart of their interaction with consumers. But advances in areas such as artificial intelligence, speech analysis, and synthetics functionalities are already changing customer service today – and by 2030 customer service will have been transformed.

By then, humanized databases will answer most customer questions. Combine this knowledge with smart search and an ability to spot issues before they become problems, virtual agents could solve the lion's share of service inquiries. They will do this with a human touch, but without the need for human involvement. For the small proportion of inquiries that remain, humans may still intervene, but without the limitations of user interfaces that involve writing, typing, or tapping text.

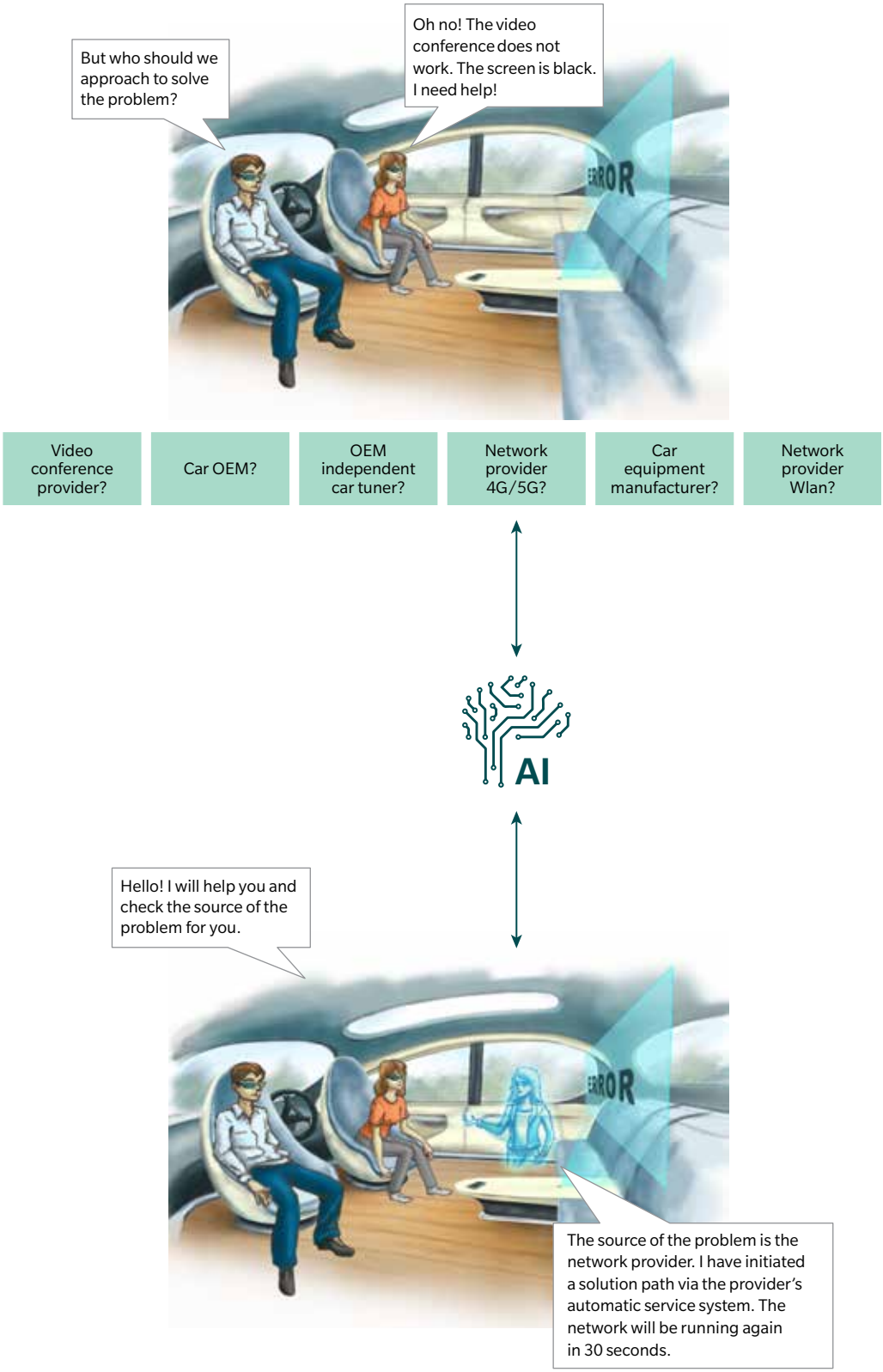
What's more, companies will no longer focus on individual systems and applications but will instead follow a more holistic, problem-centered approach to solving technical issues. That's because ever-increasing connectivity and technical complexity have blurred the lines between discrete and systemic problems. Who is responsible for fixing an in-car media system when it stops working? The manufacturer, the (streaming) content provider, or the wireless network operator? If telecom operators don't engage with this new world, they will risk being marginalized by third-party service providers or established digital players such as Apple and Google.

So, in the complex environment of 2030, telecom operators will have to act as solution providers. Predictable questions will be dealt with via customer self-service options or a speech interface supported by artificial intelligence. More-complex, systemic problems will be handled using some human interaction, but will also employ digital visualization tools such as augmented reality to help customers fix problems themselves. Picture a customer with 3D glasses and a smartphone, using interactive visuals in an augmented reality – and being steered by a virtual agent to solve a technical issue.

We are still some distance from this vision, and many telecom operators are struggling to digitize their customer care. In this article, we show how to establish a sustainable approach that will identify new opportunities for telecoms, unlock significant cost savings, improve customer satisfaction, and hence increase customer lifetime value. This should support telecom operators as they navigate towards a vision of customer service for 2030 that will allow them to still play a vital role as a solution provider from the customer perspective.

1 Price, Bill and Jaffe, David (2008): "The Best Service is No Service: How to Liberate Your Customers from Customer Service, Keep Them Happy, and Control Costs" (Publisher: John Wiley & Sons)

Exhibit 4: CS Landscape Overview 2030



RE-THINK CUSTOMER SERVICE PARADIGMS

Moving to digital customer service requires a major transformation, placing a great strain on long-established telecom operators. To carry out such change, operators need to re-think some core customer-service paradigms:

From planning and managing complex customer service channels with myriad hotlines and systems for different types of customer, brand, and request…
To implementing lean operating models with easy-to-understand and -navigate customer interfaces.

Those operators that have shifted towards a digital service model have designed intuitive digital customer interfaces. These become their core interaction points with customers. Successful operators build, sometimes even personalized, website and app interfaces that guide customers to a solution in a few steps and provide transparency on the most suitable channel for a given service request.

From improving existing processes one small step at a time…
To setting up processes that are purely digital.

Agile testing circles have proved an effective approach to trying out new processes and swiftly replacing old ones. Operators first define an idea, for example a customer reward system for using digital services. This is then tested on a subset of the customer base – typically between 0.01 and 1 percent – to decide whether to roll it out on a larger scale. For agile testing circles to work, operators need to encourage a culture of trial and error, so that the potential of new opportunities can be established or falsified without adverse consequences.

From reactively responding to customer enquiries when a customer gets in touch…
To proactively avoiding these cases by solving the root causes of faults.

In our experience, aiming to reduce contact by up to 45 percent is an ambitious but achievable target by consistently and structurally identifying and eliminating root causes.

REPLACE GUT FEELING WITH QUANTITATIVE DIGITIZATION TARGETS

Managers should start by agreeing which types of customer contact to encourage because they provide value for the business: for example, measures to retain customers and contacts with cross-sell or up-sell potential. At the same time, they need to identify which types of contact to eliminate completely, such as those caused by unclear product descriptions.

Thorough analysis of facts and data should form the basis of this process – not gut feelings or myths. Telecom operators would do well to follow the following three steps:

1. Set up data lakes to map out the main causes, clusters, and patterns of customer service cases and visualize the savings potential.

2. Run inter-disciplinary workshops to allocate customer service cases to three groups:
   A. Eliminate – avoid service cases by eliminating the root cause
   B. Digitize – eliminate costly human intervention by pushing digital self-service
   C. Keep – provide human interaction, and give agents the appropriate digital tools and processes, for example for cases with the potential for up-sell or where the retention of a customer is at risk.
3. Set digitization targets quantifying the envisaged allocation of customer service cases. Make sure the business can act to meet these targets. Set targets for a five-year outlook, and make them realistic rather than ideal-world.

Exhibit 5: Allocation of Customer Service Cases to Maximize Digitization Potential

SERVICE CASE MIX
ILLUSTRATIVE EXAMPLE: TOTAL OF 100 MM MINUTES PER YEAR

MOVE TOWARDS A DIGITIZATION STRATEGY

With a full understanding of what triggers customer contacts, a business is better placed to move towards more self-care by customers and simultaneously tackle the root causes of problems. Next, the business must design a digital customer service strategy, defining a target state and creating a roadmap to align the required operational measures. We envision three stages in this process: Establish a digitized customer service funnel to realize digital means of customer interaction; review how to encourage the uptake of digital contact tools; and work out how to sustain the change.

1. ESTABLISH A DIGITIZED CUSTOMER-SERVICE FUNNEL

Exhibit 6: Digitized Customer-Service Funnel

Think of customer inquiries from different contact channels and tools flowing into a funnel with three levels.

LEVEL 1 – PURELY DIGITAL INTERACTION (FOR EXAMPLE, DIGITAL SELF-CARE VIA A WEBSITE OR APP)

At this level, a personalized app or web portal acts as a digital companion and is the go-to place for interacting with a telecom operator. It offers a seamless experience because it is supported by the relevant customer data, with self-service options for the most common problems. Operators that have shifted to highly digital customer service interaction have implemented various initiatives. One successful operator provided customers with an improved tool to check the network status via the web or an app. This operator already had a tool that let customers check the network status for a given location. Yet customers continued to call when they disagreed with the information provided or because they wanted to understand how long the problem was going to persist. Therefore, the operator

added two customer response buttons to the tool. One button lets customers communicate disagreement, for example when the tool shows no problem but the customer still experiences network coverage difficulties. In this way, customers can open a service ticket by themselves and do not have to call the hotline. (Every ticket is automatically recorded in the customer relationship management system, and subsequently investigated to (dis) confirm the reported network failure.) With a second button, customers can indicate if they want to be informed via an SMS or app alert once the network issue has been resolved. This improved tool reduced first-level calls on network status by 60 percent.

Another operator introduced a self-service landing page to track the status of opened tickets. Previously, customers had only been able to check the ticket status via a hotline. The self-service landing page enabled customers to track the status of a ticket online as well as schedule either a call or an on-site appointment with a service agent. Simultaneously, status updates are sent automatically by SMS and email, including a deep-link to the landing page. If customers still call the hotline, they are redirected to the landing page through interactive voice response and SMS deep-links.

A further example is an operator that shifted 15 percent of its hardware repair service requests to a self-care tool. Before the introduction of the tool, customers had to come into the shop or call a hotline to initiate a hardware repair process. With the new tool, customers could do this online and then keep track of the repair. To ensure high visibility of the tool, the operator placed it very prominently on the website and made it easily accessible through the site's search functions. The operator also integrated the tool into its app. These modifications, combined with the tool's intuitive usability, led to an impressive take-up rate.

These are just a few of the many examples of how self-service tools have made customer service more digital. Other initiatives include automated bill explanation, via quick response codes for example; self-service management of shipping and returns; and self-care diagnostics for mobile and fixed-line hardware issues. Other options for digital interaction include well-trained, autonomous chatbots that offer individualized support, advanced self-service question-and-answer tools, and online peer-to-peer support communities. While tools like these have not always offered a frustration-free customer experience till now, recent technological advances in areas such as speech recognition and robot-based handling of unstructured data have helped create tools that provide high-quality service at lower cost.

LEVEL 2 – DIGITALLY ENABLED HUMAN INTERACTION (FOR EXAMPLE, CHAT WITH AN AGENT)

This includes assisted digital care channels providing contact with humans. Resources at this level are more expensive, as they encompass online chat, social media interaction, and moderated forums. Experience shows that handling times may even exceed those of traditional calls. Yet, if customers are served well via these channels, they can be guided towards a more-digital service. Response times should be minimized to enable positive customer experiences. That typically means 98% of service requests via chat have to be answered within two minutes.

LEVEL 3 – DIRECT HUMAN INTERACTION (TRADITIONAL COMMUNICATION THROUGH WRITTEN DOCUMENTS OR OVER THE PHONE, SUCH AS A CALL FROM AN AGENT)

This should be the smallest channel. The aim is to limit this kind of interaction to high-value transactions, such as sales or retention calls, and to use it only as a last resort for technical issues. A service that offers to call customers back after they have logged a query (instead of providing a dial-in phone number) has improved operators' management of peak times and optimized the use of agents' time.

Tools are important for the digitized customer service funnel, as they can boost technical flexibility and efficiency, thus reducing the resources needed. A key enabler in all channels is a 360-degree view of the customer that lets an operator retrieve any customer's service history including contact points from all channels. That is a minimum requirement: Ideally it is combined with a neural adaptive algorithm to predict the best solution for a particular customer. Often this is underpinned with robotic process automation which automates key steps of the process, like updating client data in CRM system after a call. These enablers will in turn provide guidance on the most suitable channel for supporting the customer for a given service request.

Telecom operators need to get the right mix of these funnel levels to suit their market approach (how relevant customer service is); their client structure (premium versus low value); and the market acceptance of and appetite for digital channels. A successful system will lead customers along a transparent, intuitive path from self-help to more traditional options.

2. ENCOURAGE UPTAKE OF DIGITAL CONTACT TOOLS

Once the digitized customer service funnel is in place, the business next needs to review how it communicates with customers and how it can make the digital transformation take place. The following measures can help:

- Promote self-help across all channels along the entire customer journey, from the stage where a customer is first attracted to that where they become a long-term customer. A European telecommunications operator found that an effective promotion lever is to get a call agent or interactive voice response system to send an SMS with deep links to a self-service interface. Results showed that 75 percent of customers accepted SMS deep-links when given the option. A recent Oliver Wyman survey also showed that 34% of customers are already willing to use self-service channels if they know speaking to a human is a potential option as a back-up. Promoting digital service via the retail channel presents a challenge for most operators, as an increase in digital customer contacts typically means less traffic in shops, which goes against the interests of shop management. This challenge can only be tackled through clear guidance from top management.

- Present digital features as quick and easy to use. Some successful players have implemented gamified incentive schemes or likable digital companions to speed up the adoption of digital tools. For example, incentive or penalty schemes can offer rewards for using these tools, such as free data, packages of free voice minutes, or loyalty program benefits. Another option is to offer rewards for non-contact, similar to insurers' no-claims discounts, or discounted or special tariffs for self-help-only service.
- Digitally align the entire organization using strong internal communication to ensure that all processes are moved in the direction of digital customer service. A digital transformation requires a firm-wide "digitization" program. For this, management needs to make the target state and the key steps of the journey transparent to all employees. Area-specific training helps employees to understand how to adapt their roles and tasks to support the transformation. Measuring digital change by area or, where possible, employee helps further to optimize and steer the digitization efforts.

3. SUSTAIN THE CHANGE

For this third stage, digitization of client interaction needs to be a top management priority. To sustain it across all business functions, telecom operators will likely have to adjust their organizational frameworks and enlist support at board level. Initiatives could then include the following:

- Share responsibility for customer service among all customer-facing and technical functions. Don't just leave it to a customer-care department. This means embedding targets in incentive schemes for managers who lead the functions at the root of customer service cases. For example, the chief technology officer should have a clear and achievable target for reducing customer service volumes and costs related to network issues.
- Monitor key performance indicators (KPIs) in customer service, such as the proportion of interactions that are digital-only. KPIs need to be relevant measures. So, for example, active uses of an app – such as at least once per billing cycle – should be considered rather than just the number of downloads. And KPIs need to be linked to cost or volume targets in executives' compensation schemes.
- Create a dedicated unit and systems to regularly review patterns in the root causes of customer contacts. Report any anomalies or deviations from plan to top-level managers with the authority to link back to other departments and implement solutions.
- Use customer feedback to regularly review all customer-facing processes and to remove barriers to digitization. Alterations should always be designed with the customer standpoint in mind, and customers should be closely involved in the process. Operators should test critical new functionalities of apps and other interfaces with customers, and continuously refine their customer service offers.

UNLOCK TANGIBLE BENEFITS

In the long run, the digital service paradigm will ensure telecom operators remain relevant to their customers. In the short and medium term, a coherent, user-friendly digital experience will have more-tangible potential benefits.

Significant, sustainable cost savings. Customer service is one of the most personnel-intense functions in modern telecommunications, averaging between 8 and 12 percent of a typical company's operating expenditure. Over a period of three to five years, the tools described above could save up to 60 percent of this expenditure. An operator could reinvest part of the savings to improve the average handling time in digital channels such as online chat or to bolster value-adding lines such as sales and retention.

Increased customer lifetime value. Better data on customer behavior can be combined with digital sales tools to tailor individual, customer-centric offers, both online and through traditional channels. This directly increases customer lifetime value, and also increases average revenue per user thanks to cross-selling and up-selling.

Customer satisfaction. As the service industry's digital shift gathers momentum, customers increasingly need self-service tools that are convenient and easy to use. Players such as Apple and Amazon have shown that satisfied customers will pay a premium for a service if it meets their needs in a simple but exceptional way.

CONCLUDING REMARKS

"Customer service as usual" is a risky choice for operators as it entails high service costs, while also failing to satisfy changing customer requirements. We therefore urge operators to concentrate their efforts on laying out a path for the evolution of a digital customer service model. They need to complete a job that today has only just been started to ensure they are on track on the path towards 2030.

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 4,500 professionals around the world who help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people. Marsh is a leader in insurance broking and risk management; Guy Carpenter is a leader in providing risk and reinsurance intermediary services; Mercer is a leader in health, wealth and career consulting; and Oliver Wyman is a leader in management consulting. With annual revenue of more than $13 billion and more than 60,000 colleagues worldwide, Marsh & McLennan Companies provides analysis, advice and transactional capabilities to clients in more than 130 countries. The Company is committed to being a responsible corporate citizen and making a positive impact in the communities in which it operates. Visit www.mmc.com for more information and follow us on LinkedIn and Twitter @MMC_Global.

For more information please contact the marketing department by email at cmt.practice@oliverwyman.com or by phone at one of the following locations:

AMERICAS
+1 212 541 8100

EMEA
+44 20 7333 8333

ASIA PACIFIC
+65 6510 9700

www.oliverwyman.com

AUTHORS

RAFA ASENSIO
+34 9 121 2634
Rafael.Asensio@oliverwyman.com

THOMAS NACHTWEY
+49 211 898 7693
Thomas.Nachtwey@oliverwyman.com

EVA SCHAUBLE
+34 9 121 26393
Eva.Schauble@Oliverwyman.com

FELIX IBLHER
+49 899 394 9551
Felix.Iblher@oliverwyman.com

ANDREAS OBERLÄENDER
+49 303 999 4556
Andreas.Oberlaender@oliverwyman.com

OLIVER WYMAN