1st Quarter 2017 - Customer Service Experience

Welcome,

RS Market Research Insights' goal is to be your source for continuous learning about key market trends so you can make better informed decisions on the impact of these trends in your business.

In the Idea Economy there are stories everyday about new ways that businesses are transforming themselves and their industries. But rapidly changing industry dynamics, driven by digital transformation, are challenging leaders and businesses to capture new opportunities while minimizing new threats because of their struggles to keep up with tracking and analyzing the market shifts and assessing the implications to their business.

If you did not see my initial coverage on The Future of Work (FOW) in 4Q2016 you can download it on my website in the RS Market Research Insights section. This report includes a 1Q2017 update on FOW and initial 1Q2017 coverage of Customer Service Experience. Send me your point of view on The Future of Work or Customer Service Experience so it can be published in the next update (inputs will be anonymous).

Hoping you reach all of your goals.

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Following is an update based on 1Q2017 market coverage**. Key messages are:**
- **Technology: Working with (not vs) humans to be more productive**
- **Workforce: Need to Prepare for Changes - New Skills & Project Focus**
- **Workspace: Many Options - Co-working Spaces are Growing**

Technology: Working with (not vs) humans to be more productive

Robots vs humans is the story that is all over the news. Many reports highlight that the robots aren't coming … they are already here based on survey data that "41pc of organisations have completed, or are in the process of completing, experiments with artificial intelligence, computer technologies and robotics … and another 35pc are currently in pilots of this" (Silicon Republic - Deloitte report). Several articles are focusing on how technology can help humans improve productivity including wearable augmented reality devices.

- I like the quote from an executive to her son in response to his question if robots will take his job someday "Don't worry—I've never met a machine with courage and empathy" (LinkedIn). Every day there are examples about how humans can leverage technology and amazing stories how humans and technology might co-exist including the recent news from Elon Musk (Neuralink, a venture to merge the human brain with AI).
- It will be very interesting to see what types of jobs my daughter and son will pursue in the future and how they can change the world. Technology has been part of several industry transformations that have spurred new jobs and productivity. The latest transformation covered by the World Economic Forum and others is called the Fourth Industrial Revolution.
  - "We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before. A Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres" (World Economic Forum).

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<u>Workforce: Need to Prepare for Changes - New Skills & Project Focus</u>

There are so many articles about how work itself is changing. As we all know change is inevitable but the unsettling part is that it does not appear that we are prepared yet for this dramatic change as "40 percent of employers report talent shortages" (Accenture Strategy). Key skills for the future that are highlighted in several sources include data, software development, and User Experience (UX).

According to McKinsey Global Institute "rather than going to work at a job with your colleagues in an office, your workplace becomes talent platforms — the online exchanges connecting people to projects, talent, and resources." This trend is validated by the number of freelancers today (53 million Americans) and that 79% of executives agree that the future of work will be focused on projects worked by teams vs job function (Accenture Strategy). But we are only at the beginning of this trend where "only 12% are making progress" (Customer Think). Early examples focusing on agile small teams include hackathons, accelerators, and incubators.

- I am now a believer that freelancing is the wave of the future not just for millennials and Gen Z but also for those of us who, lets say, have been around a bit longer. I have personally had mixed results so far with large corporations Most do not yet recognize the value in project based tasks/work done by independent contractors in an on-demand model instead of the traditional full time employee model.
- There are several articles highlighting the need for corporations to change their labor practices where "companies will have to become more agile in the way they manage, deliver and optimize their business tasks. Enterprises will need to build the kinds of systems that enable rapid exchange of talent and services, instead of relying on ad hoc methods like email" (IT ProPortal). I see more acceptance in the freelance marketplaces I have joined so far. But I believe a key piece of the puzzle that is not getting enough attention (yet) is the team based approach to freelancing.

<u>Workspace: Many Options - Co-working Spaces are Growing</u>

It seems that there is a tug of war going on with where work should be done. Even though some companies are making changes to their work environment to create spaces that are more flexible to different workstyles, there are still challenges highlighted by the results from a survey reporting that "58% of high-performance employees say they need more quiet work spaces" (CNBC). The other side of the coin is the remote trend where "43% of employed Americans worked remotely last year at least some of the time" (Fast Company). But of course there are those who are countering this trend. Recently IBM, and previously Yahoo, highlighted evidence that teams collaborate better when working side by side.

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Finally there is a growing trend of co-working where people from different backgrounds share space. Following is an extract from an article about WeWork highlighting that there are "nearly a million people globally working alongside peers who aren't necessarily their colleagues. Workers in these spaces consistently report making more connections, learning skills faster, and feeling more inspired and in control than their cubicle-dwelling counterparts inside large companies. And it is not just freelancers driving this trend, today, a tenth of the *Fortune* 500 maintains at least a part-time presence there, totaling more than 11,000 members nominally belonging to the likes of Microsoft, McKinsey, Salesforce, and Dell" (Back Channel).

- I have worked in offices and also remotely. I personally prefer to work remotely with frequent trips to work onsite with a team. I have found it helps with work life balance. I remember a boss once giving me her perspective that it was a matter of setting expectations of the different types of work. When she was in the office, her short bursts of work focused on decision making as a result of running into people in the halls. Whereas work at home was better suited for deeper thoughts and uninterrupted time. The "so what" for me is that there are more options than ever before. It is all about your personal preference and the type of work you need to get done at that time that determines the best workspace for that moment.

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You may wonder; why focus on customer service experience? Similar to the Future of Work, Customer Service Experience affects so many of us and it is an area where I have a lot of memories working on teams redefining what it could become. I had the opportunity while working for the Avaya Contact Center Business to be involved with the customer service market. I led contact center marketing for Nortel Enterprise acquisition including launching our next generation contact center strategy and roadmap, redefining industry vision of customer service. I also managed our customer council with CIO's and Avaya users' group contact center committee.

Everyone can connect to a customer service experience and can easily recall if it was poor or great. Statistics show that customer service experience is very costly (if done poorly) or a significant contributor to a business's ability to differentiate (if done right). It is a key part of business.
It is an industry that I have enjoyed being part of and it is a market the continues to evolve at a rapid pace of change.

Based on market coverage, the **key messages are:**
   ●   **Customer service is key to differentiation**
   ●   **Customer expectations continue to increase**
   ●   **Technology is transforming the customer service experience**

Customer service is key to differentiation

We have all heard stories of the impact on a business of a bad customer experience and even more so in the age of social media. A study from NewVoiceMedia highlights "companies lose more than $62 billion each year due to poor customer service" (Fonolo). In an age of product commoditization, customer service is a key differentiator. According to a survey "92% percent of senior executives believe that customer experience is a key competitive differentiator and they view customer service as the primary vehicle for improving the customer experience" (Huffington Post - Salesforce survey).

   ●   Companies, including Disney, set the benchmark for defining customer service experience. They are an example that every employee is part of customer service. Years ago I went on a tour of Zappos customer service operation. It was inspiring. It has been widely publicized that Zappos "core value is deliver wow through service" (Huffington Post). Customer service is not only core to business success, sometimes it is the business. For Zappos, "customer service is the company's main product. The thinking was that customers could buy shoes anywhere, but they would become loyal to an online store if it went the extra mile to please them" (Business Insider).

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<u>Customer expectations continue to increase</u>

Customer service is a moving bar as can be seen from survey results that "56% of global consumers say they have higher expectations for customer service now than just one year ago. That number jumps to 68% for 18 – 34 year-olds" (Fonolo). Key characteristics of excellent customer service, driven by digital transformation, include personalization, real-time, consistent, and omni-channel. Proactive customer service enhances personalization. The expectations for channels is also changing where "It's no longer sufficient to enable customers to choose from a variety of interaction channels – often referred to as multichannel or omnichannel interactions. Increasingly, they want to use more than one within the same interaction, which is called a "multimodal interaction" (CMS Wire).

Managing the end-to-end experience is critical but "only 54% of companies had even mapped out their entire customer journey" (Forbes). On reason could be that "only a handful of enterprises (6%) are currently capable of seeing the entire breadth of their customers' experience" (Business 2 Community). But digital transformation is also adding some complexity creating "20% more touch points every year where about 20% of our experiences are end-to-end digital, leaving 80% at the mercy of hybrid failures" (Forbes).

- With customer service expectations constantly evolving, businesses need to leverage an ongoing and proactive process to monitor market shifts to analyze the threats and opportunities to their business. Even customer service leaders need to continuously review their customer service model for refinement to address changing customer requirements.
- I still remember years I had prepared to present our next gen customer service solution to a well known industry leader. That morning at breakfast I ripped up my standard presentation. I needed a more impactful way to show where we thought customer service was heading and the benefit to them and their customers. I started a text chat with their agent and then asked to switch to a phone conversation but had to call an 800 number and restart my story with a different agent. I used that real example in the meeting to discuss the value of a seamless experience.

<u>Technology is transforming the customer service experience</u>

Artificial Intelligence is one of the newest technology trends where "AI allows companies to deliver these smarter, more personalized and predictive experiences that customers have come to expect, but the human touch is still table stakes for customer" (Huffington Post). Next Gen technologies will help improve customer relationships and loyalty through "learning relationships – customer relationships that learned customer preferences and adapted to them in real time" (LinkedIn).

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As the number of channels continues to increase surveys show that "half of all service teams surveyed now support customers across at least five different channels, while teams offering service via mobile apps grew an incredible 196% last year" (Diginomica). But even though there is a focus on multiple channels, it is still important to remember that working with customers on a channel that they use is critical. Finally, self service has been a key capability for customer service operations where "companies with self-service programs enjoy an 85% year-over-year increase in customer retention rates, compared to those without self-service" (Business 2 Community).

- When I was at Avaya we were in process of shifting from an agent based voice centric customer service model to a multimodal collaboration session where customers were brought into a conference and any resource needed was brought into the session to solve the customer request (vs handing off the customer from agent to agent). It was an exciting time to be part of redefining the definition of customer service. Next gen technologies bring new capabilities and enable new business models but it is important to remember the key is to focus on improving the end-to-end experience.