



THINKJAR

a thinkJar thought leadership paper

Customer Service 2018 Study

*findings and insights based on
interviews with 124 CS professionals*

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The Project

For the last seven years thinkJar has been taking the pulse of customer service practitioners via yearly research projects and countless inquiries. Among the many insights gleaned from these projects were some of the most revealing truths about the evolution of customer service:

- Customer service became rooted in operations, making the COO the top executive for execution
- Customer experience and customer engagement initiatives are now led by customer service
- Evolution of self-service; web self-service to chatbots to anywhere-everywhere knowledge
- Low-value of social as a channel for delivering service, and the subsequent decline
- Change of voice as the channel-of-last-resort to email and chat replacing it

We are seeing the evolution of customer service from single-channel, or non-integrated multi-channel, to a dynamic platform for customer experience delivery. Through the years we collected data that confirmed that and highlighted trends in the market.

In the last two years we saw a decline in the quality of the data collected; results for most answers became stagnant, the data did not move. We knew we had to evolve the study and get past the data: the data said we had optimized operations as much as possible, it was time for strategic growth.

We had used interviews to expand on interesting data points, but now we saw more value in the conversations with customer service practitioners than we did in the static data points. Vendors and consultants were doing their own surveys, and all the data was the same across all studies – time to evolve.

This is the first year we focused the research exclusively on qualitative methods, conversations with practitioners, and we didn't collect data to correlate to those insights. We also changed the focus: from tactical to strategic; we no longer asked about channel usage primarily, we ask more about plans and strategies and visions going forward.

What follows is the result of 124 conversations with customer service practitioners. We talked about what they are doing, what they are planning, and what they will be doing over the next five years. We discussed strategy, budgeting, stakeholders, and the current top-trends: digital transformation, AI, IoT, and data-based decision making. We talked about what they thought the future would look like and how they will get there.

We recorded all those conversations and we transcribed them. We pored over the many resulting pages and found the commonalities, the wisdom of the crowds; we aggregated that into findings.

What follows are those findings, and the explanation of why.

The Findings

One hundred and twenty-four conversations can yield a lot of information.

To make it easier to digest, I separated that into core topics and added a summary of the insights for each section.

Any of these sections can be explored in more details, simply contact me¹.

Budgeting

What would life without money be?

For as long as I can remember, and I've been in this industry for nearly 30 years, customer service has been a cost center (*caveat: we heard many times in the past decade or two how it is transforming into a revenue center, but that's not mainstream yet*). We depend on the "generosity" of the organization for resources. Without a revenue stream, most innovations are complicated. Budget justification requires extensive short-term ROI calculations that don't always focus on strategic growth but rather to efficient operations that cut costs.

Budgeting for customer service used to be taken out of sales and marketing budgets during the "golden era of CRM" (2000-2006). It slowly began to earn its own budget as technology for the contact center began to emerge and they transformed from single-channel to multi-channel, and from call center to contact center. These budgets were still "cost center" budgets, and innovation for customer service was hard to do: we always had money for "testing", but it usually came with strings attached as we were testing technologies to save money – not to progress strategically.

At the beginning of the 2010s we finally noticed a connection between operations and strategic growth, following the grand recession of 2008 and the emergence of digital transformation, and innovation and investment went from "what's necessary to survive" to "let's differentiate based on service (and later, experiences – more on that later)". Included in this shift is the transfer of ownership for customer experience and engagement initiatives from marketing to service or operations.

A trend that had significant impact, per the interviewees, on customer service was the rise of digital transformation. Starting in 2015 we saw more and more organizations began to use data to improve internal and external operations following early implementations of first generation digital transformation strategies and digital initiatives. Accordingly, customer service operations – more specifically the interactions with customers – were affected.

During the conversations we had for this project, a virtual unanimous perspective was that the budgets for improvement, operations, and even innovation in customer service were all coming from digital transformation initiatives. This is critical to understand for two reasons;

- **Return Expectations.** Traditionally the return on investment in tactical projects associated with cost centers has a short timeframe: either an ROI is achieved within a fiscal year or the project is not viable. There is a slight truth to this thinking: tactical investments have optimization as an end goal and that should be achieved in short time for it to be effective. Time and again we see multi-year tactical projects become complex dumping grounds for virtually any idea for lack of

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focus and goals. Shifting from tactical implementations to strategic ones has changed the nature of customer service: it went from doing short projects as “proof of concepts” that then grow (eventually and hopefully), to planning and measuring appropriately success over the long run. As a result, return on investments and expectations have moved from “within twelve months” to attaining long-term, strategic goals.

- **Leverage.** Among the many benefits of adopting platforms and cloud operations (see below topics) is the idea of sharing resources widely. A new knowledge management and self-service solution for customer service agents to find what they need to answer questions from customers is no longer just that simple implementation – it can be leveraged for human resources self-service, marketing content management, and even as the power behind online communities. Being able to do more with the same, or less, is one of the best features of digital transformation.

Budgets are now growing and contrary to what we saw (mostly) for the last decade, it is not about either “fixing” what’s broken, maintaining what we have, or about testing new stuff. Budgets have become, finally, strategic. However, to continue to grow customer service power throughout the organization, a move that began when it became part of operations, the need is to focus beyond the needs of the department and focus more deeply on the needs for the entire company.

Emergence of Digital Service

Virtually all projects discussed for customer service, both under way and being planned, were focused on data (more on that later) and on improving digital service (as Gartner called it in the latest edition of their MQ) nascent operations. As much as I hate the name, this is a good step to focus on how data and the cloud can deliver a transformed customer service.

This is good for customer service for two reasons:

- **More Money.** Customer service budgets have remained stagnant the last few years. Growth of budgets was usually below 5% - and that mostly kept up maintenance costs for existing software and systems, ignoring large or new implementations. While smart customer service managers were able to use some of that budget for testing new tools and systems, most of the spending was going into maintenance and continuing to support existing operations. A few more dollars came when the switch from marketing to customer service was effective for customer experience and customer engagement initiatives, but not enough to change how customer service works. This infusion will get that change to happen.
- **Strategic Alignment.** With more money comes more responsibilities – in this case a deeper alignment between customer service and the rest of the organization. After decades of being considered a necessary evil, a few years of being “a competitive differentiator”, and a few more becoming a combination of both – customer service is finally gaining a seat at the strategy table. A digital transformation project that spans the entire organization requires all components to be aligned, and this is the opportunity for customer service to be more than “on the side”.

Spending Priorities

Every year we ask practitioners where the money is going to be spent, and for the most part until about two years ago the spend was directed to items that directly affected the operations of the call² and contact center. As customer service becomes more strategic, the spending priorities have shifted in the past two years to be more aligned with enterprise-wide initiatives. In this years' conversations we found the top three areas of investment are not just for customer service operations:

1. **Customer Experience and Customer Engagement.** This item has been at the top of the list of the last two years, and it was in the top five for three more years before that. It will continue to power investments for enterprise initiatives for a few more years considering the importance of the strategy for the long-term health of the organization.
2. **Automation.** This has been a consolidation of previous customer-service only focus on self-service, artificial intelligence, and machine learning. The previous budgets for those items that were affecting only customer service are now expanding to accommodate the needs from other departments in the organization as well.
3. **Operational Excellence.** This is a misclassification as there is no real budget item named for this concept, we are just beginning to realize this – and it is better described in the next section on the future of customer service, but the items in it – customer centricity, outcome driven operations, focus on digital operations, automation and optimization – are too broad to be included separately, thus the model of an updated concept of operational excellence is leading how customer service is moving forward.

This focus clearly shows a shift from tactical contact center investments to a more strategic focus on how to build a digital enterprise. While still the biggest driver is operational efficiency we were encouraged during our discussions on seeing a shift from tactical to strategic in investment discussions.

In addition to these top strategic initiatives we also asked about spending on tools and technologies.

Technology Adoption

Customer service practitioners like their shiny new toys, and nothing is more fun that trying new technologies to see if we can do our jobs better. While we continue to be a late adopter of “new technologies” for tactical operations, and we deride adoption for strategic reasons – mostly focused on improved efficiency due to deep-rooted beliefs of being a “cost center” – we are finally turning the corner.

The future of customer service is about giving customers more control and better access to operations, so they can build their own experiences in real time. To do this, in addition to investing and moving customer service to cloud-based operations, the focus in on how to work better with automation.

Nearly 80% of transactions that customer service carriers out can be automated. Half of those can be done easily, the rest require better tools to learn how to automate them, improve the processes behind them, and test and deploy automated events. Until recently, maybe three-to-four years ago, this was mostly focused on customer service via self-service and lately even chatbots. The success of those

² Contrary to popular belief, there are still a lot of call centers that are not focused on multiple channels

operations over the last decade made it an organization-wide strategy aligned with digital transformation.

The new formula for customer service success, and therefore enterprise success, is to use artificial intelligence, machine learning, chatbots, and web self-service (with all the underlying technologies and tools – like knowledge management) to power automation of that forty-to-eighty percent of interactions. This brings a stronger focus on platforms (to let customers create their own experience as needed), new models for knowledge management that are not focused on stored knowledge but on wisdom available in real time on social and online channels, and a better understanding of information (data + content + knowledge) and its use in artificial intelligence and machine learning to deliver better results. These are the staples of automation.

Combining these tools and technologies will yield a better solution for customer service that will allow it to let customer helps themselves, via organizations’ systems, online communities, or even SME (subject matter experts) acting on behalf of the company. The other shift we are seeing at a very early stage is the focus on agents to handling that ten-to-twenty percent of exceptions that cannot be handled by automated processes.

While we are not yet seeing a lot of technology going in that direction – few investments in better training and coaching tools, better workforce optimization utilizing machine learning, better knowledge managements tools to find the right answer quickly, and collaboration tools for sharing information – we have seen in the last two years the rise of the focus on the agent.

Investments in the past, for agents, have been on how to make life easier for the managers and how to lower costs of having agents. The new realization is that if automation succeeds, and replaces half or more of the transactions, the one that are left will be harder to resolve and for that we need more experienced, better trained agents with better tools and a focus on solving problems, not just staffing a contact center for a paycheck.

The focus on improving conditions for agents was more evident in the last two-to-three years as we saw a shift to enhance their jobs, provide more challenges in the job, and improve career paths to retain the best people with more experience and better disposition towards the job. We saw in the last decade a move from “massive amount of people to answer a phone”, including outsourced solutions for cost-savings, to a better trained workforce with better tools to handle more complex tasks that cannot be automated.

This alignment is what drives investments and technologies towards building better agents.

Data

No data, no problems. Mo’ data, mo’ problems (paraphrase of a Notorious B.I.G. song).

The above is not true. If we don’t use data, we have tons of problems in customer service, we just don’t know about them. And the more data we have, the problems we get are higher level problems that call for strategic resolution. The more data we have, and use, the better the operations and the quality of the customer service we can provide.

Customer service has traditionally used data, just not the right way. The problem is not that we looked at data, but which data and when. We traditionally used data in a historical manner – we looked back to

see what happened and we used that to guide our future operations. We focused on tactical and efficiency-focused (doing things faster or cheaper, mostly) metrics. We want to make sure we have just the right amount of people at the right time to answer customer inquiries – else we have idle time we are paying for. We want to ensure that each agent is loaded to the maximum use of their time and want to make sure we have the shortest calls, or – you get the idea.

We looked at results, what happened and made changes to processes going forward that benefited our goals – which usually as a cost center were centered around saving money. It took too long to make those changes, and even longer to document them – making future changes more cumbersome.

As customers gained control of the conversations in the last decade we saw a shift in metrics used: from efficiency to effectiveness (make sure the customer got what they wanted, while balancing with efficient operations – but err on the side of the customer). We used terms like customer-centric, satisfaction, resolution in search of a better setup – but we still maintain an eye on the bottom line for cost-savings (old habits, and old bonus programs, die hard). As we move deeper into the new reality of customer service, data-based operations and data-based decisions making is rising.

The value of using data is focused on three things, not just efficient operations:

- **Customer Centricity.** When moving to customer centric operations the metrics used must invariably change. Customers don't care as much how many calls an agent can do in a shift, or how long an email chain becomes, or if SLAs are met (well, they kind of do, but different perspectives on this) but are focused on finding an accurate answer, quickly and easily. The metrics that reflect whether that happened are not operationally-driven, rather tend to come from feedback exercises or even from indexes calculated from myriad data sources.
- **Outcome-driven Operations.** Effectiveness metrics are outcomes (there are five outcomes, understanding, resolution, learning, expectations, and engagement – all resulting from doing certain actions well, not as a direct action that can be measured). We cannot measure a value for resolution (we can measure whether a problem has been resolved or not – and how long it has taken, and what resources it used, and what lessons we learned so we don't have the same problem again, etc.) but we can calculate an index on resolution that collects different pieces of data related to resolution. These indexes are different metrics than we traditionally used in customer service; different thinking applies to using them to monitor outcomes.
- **Automation.** Automation relies on using clean data for the computer to make decisions. This is critical as we embark in predictive and proactive models for customer service, focus on optimizing schedules and actions, and prepare to deliver the new models for customer service. Focus on tools like knowledge management and content management to engender better information also rely on clean data for more effective operations as well as learning and implementing insights.

As we begin to see the deployment of these initiatives, virtually all customer service practitioners we talked to are investing in data analytics, predictive operational enhancements and away from cost-savings as the only measure, we are seeing a shift in how data is approached, used, and reported by customer service. Expect to see an effectiveness-focused data model emerge in the next two-to-three years if not earlier.

Channels

Rejoice, customer service practitioners, the battle for channel management is over!

Well, not quite – but well on its way.

After many years of battling single-channel operations, adapting to multi-channel (where less than one quarter of practitioners managed to do it well), and the idiocy of omni-channel (which, thankfully, is disappearing after a 3% adoption of badly done solutions at the “peak”), we are finally getting to a point where channels become irrelevant.

This is not because more companies embraced a single-channel excellence (which I still endorse for most service operations) or because we achieved channel parity (as those who demand organizations must be everywhere the customer is –wrongly proclaim as the answer), but because the advent of platforms is changing what it means to use channels.

As we began the shift to supporting messaging apps (WhatsApp, Facebook, Skype, Viber among many others) we saw a repeated and common problem: disconnected channels became cumbersome to support and impossible to tend to separate from everything else. This story, which was repeated for social, collaborative, and virtually every new channel we adopted over the last two decades since we started using eService (my old coverage area in Gartner, reminiscing...) led to a strong push to make channels irrelevant.

Unfortunately, this does not mean that the push for omni-channel and omni-channel projects has disappeared but that channels are becoming just a communication medium for customer service operations. Following the debacle over using Twitter and Facebooks separately from the rest of the channels and unable to leverage the common components, and evolution into platform and cloud operations (see next subsection) means that channels are becoming irrelevant.

Not for customers, who still would like to be able to build their own experiences in real-time over whatever channel they choose and think works best for them, but for organizations trying to manage multiple channels. None of the people we talked to seemed concerned or worried about their channel management and their mufti-channel or omni-channel implementations and the focus was on integrated, consolidated, platform-based operations that can then be delivered to any channel via appropriate gateways, APIs, and channel management services running on the platforms.

Cloud and Platforms and Ecosystems

In last year’s report I said that the biggest head scratcher was the lack of interest and adoption for cloud-based and platform-based customer service solutions– where most of the organizations are still running on-premises for critical functions.

While true, at least the conversations have been shifting the last few months. Before we could not convince any large-size or mission-critical customer service practitioner to look at cloud and platform-based solutions to replace their implementations. Solutions like Siebel and PeopleSoft still rule, as well as those from every other vendor that is on-premises or hosted.

Newer, smaller and more modern organizations had taken to the cloud quite well, but their numbers don’t change the overall sentiment in the industry that cloud is not ready for customer service.

The three most common complaints – integration to legacy, speed and performance, and ability to serve large groups of agents – have slowly been dismantled by the new reality driven by digital transformation.

As we see digital transformation take over, we see more adoption and comfort using cloud-based solutions for all aspects of customer service; still not great, but a good move in the right direction.

From the majority of the conversations we derived three points about adopting clouds and platforms:

1. **Cloud Is Not as Bad as It Seems.** Early conversations make cloud seem like the wild-wild-west for customer practitioners. Partly due to the adoption of cloud in other areas of the enterprise, partly due to the push to focus more on customer experiences from the customer's perspective – which relies on high availability of any information via any device at any time, and the prohibitive costs of making that possible using on-premises – and partly due to the maturity of IT teams working on cloud adoption we are seeing a new story being told. The cloud can perform and do what's needed from the customer service perspective. There may be issues with a few vendors supporting large and complex deployments but the ability for platforms to bring secure legacy fast to a cloud-based deployment is negating most of the criticism to date.
2. **Platforms Are Necessary for Customer Service Going Forward.** More and more organizations are shifting to an outcomes-first, platform-based, ad-hoc experiences driven by customers as their operating model. They are quickly recognizing that there is no other way to do it than using a platform. The cost, complexity, and the lengthy lead times to connect legacy solutions to anything other than a platform makes it almost prohibitive. Meanwhile, competitors are delivering personalized, customized, tailored ad-hoc solutions to customers on anything they need where they are finding quick, easy, and accurate answers to their questions. Building the platform model is essential for organizational survival.
3. **Ecosystems Are the Way of Life Going Forward.** Customer service has always been about using different vendors and service providers to do the work; no single-vendor solution can deliver all components with the same quality. In recent surveys the number of applications used in customer service comes from an average of 12 different vendors. In addition to this internal jumble of vendors, we now have customers and consumers demanding better online tools, social channels, communities, and communications and asking for ad-hoc end-to-end experiences personalized each time they need something. Not to mention the many different versions of customer service at the point of need enabled by field service and remote locations – the need for an ecosystem to build mini-versions of the large applications, customized and personalized solutions, and the need to use data, content, and knowledge residing in many different systems throughout the world in some cases make the case for a platform and ecosystem solution easy.

While the same can be said for any department, not just customer service, adopting cloud these days – for customer service this is a great step forward because it shuts down the myth that cloud cannot perform at the same level as on-premises, delivers better integration and security that previously had with a mish-mash of solutions with no common components, and delivers a far better platform for customers to build their personalized, optimized end-to-end experiences on demand as needed.

This reality as relayed to us via these interviews, in combination with all the other research, inquiries we deliver for customers, and the work we do with practitioners and vendors over the last few years led to

a different model for customer service, one that we believe must be built over the next four-to-five years to allow organizations to accommodate the trends mentioned above.

The Future of CS

The future of customer service, as well as its past, is evolutionary.

There is never a need to rip and replace a customer service solution that is working – even going from a call center to a contact center.

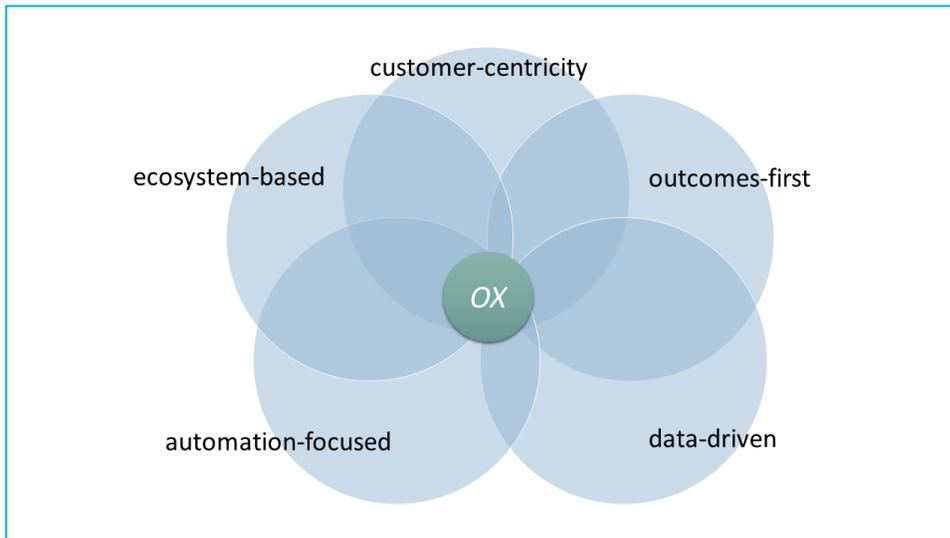
During discussions, project work, and strategy setting with customer service practitioners over the last thirty years we came to a model that continues to evolve. This model is not dependent on technology or latest-and-greatest channels, but it relies on having as a goal to use customer service to advance the strategic objectives to the organization. If your organization is not at that stage, you can continue to test and implement new technologies and more channels via trial-and-error – but don't expect the benefits of a well-done strategic initiative.

The Evolution of Operational Excellence

To get to a digital transformed department that is part of a transformed business, you will need to understand how customer service evolved.

In the book *Discipline of Market Leaders* (published in 1997) Treacy and Wiersma described the concept of operational excellence. They talk about streamlining operations and cutting costs as one way to become a market leader (the other two are customer intimacy and product leadership). That is the way customer service grew over the last three-to-four-decades – as an efficient operating machine.

In this new world where the customer is calling the shots, at least controlling the conversation, and organizations need to respond to that, the model seems dated and too company-centric.



A new model of operational excellence is the underlying foundation of new versions of customer service.

The new model for operational excellence is no longer focused on cost-cutting and improved operations.

The new model has shifted from being as efficient and cheap as possible to be more customer-centric – and no customer wants the organization to be neither efficient nor cheap; they want accurate, simple

answers (resolution) to their questions (problems). This new model has turned the perspective around to what the customer sees and experiences – not the company.

To deliver on this new model there are five areas that customer service practitioners need to consider in their strategies; these are about disrupting the mentality on customer service, not necessarily about changing technology or operations (only):

1. **Outcomes-First.** When the focus shifts from effective operations and cost-cutting to what the customer needs, the results, method, and operations will change with it. Knowing what the outcomes are, how to measure them, and how to know whether they are successful or not is the most critical part. In the previous model the only outcome was make it good and cheap, in this new model – the outcomes change as execution changes.
2. **Customer-Centric.** While previously to be customer-centric meant, erroneously, to focus exclusively on what the organization understood they wanted and then spend resources trying to deliver to that, in some cases not even making it economically feasible for the company, the new model is predicated on the fact that customers' needs, and desires change constantly as the operations the company provides to serve those needs. This constant change, in a win-win scenario where both find value, is the base for the new customer centricity.
3. **Data-Driven.** As digital transformation takes over the enterprise, the only requirement it has is that data be used smartly to power and optimize processes in a continuous manner. No longer we have fixed, single-event processes to power business functions, now they are part of much larger, and more complex, end-to-end experiences. To ensure they remain focused on the outcomes and the metrics that matter, driving these experiences via data is essential – and being data-driven also allows it to, eventually, become more automated: the end goal for customer service.
4. **Automation-Focused.** Between forty and eighty percent of customer service interactions can be automated, from simple inquiries to more complex transactions. The other 20% remains part of the exceptions and unaccounted processes that should be handled in partnerships between automation systems and humans. The new customer service operational excellence is to automate as much as possible – not for cost-savings, but to put the customer in charge of their own experiences and faster resolution.
5. **Ecosystem-Based.** To achieve complete end-to-end experiences, driven ad-hoc by customer demands and needs the organization must embrace an ecosystem mentality. In this mentality the goal is to deliver the most complete experiences regardless of whom, or where, the information resides. Having an open cloud architecture with a public platform and all the benefits it brings allows any organization to build an ecosystem model to power operations.

In addition to these five areas there is and one underlying concept: work collaboratively with customers to co-create value at each interaction with the long-term goal of achieving engagement the ultimate outcome.

For more information on any of these insights, or to find out how to operationalize them, please contact me.

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About thinkJar

We are an independent customer strategies research house and think tank.

We spent the past 20 years understanding what the best way for vendors and their clients is to work together to select, adopt, and implement customer strategies tools (most common is CRM tools, but we also spent time working with data management, analytics, and even infrastructure) and understanding the best way to use them.

We produce research reports that dive deep into the why and how to adopt tools – from early adopters to late adopters – based on primary research (both quantitative and qualitative) and cross-reference that with third-party research to derive models for effective interactions – today and into the future.

We work with select vendors to help them adopt our independent findings and to use that information to help educate their clients and prospects better. We work with practitioners to help them understand these concepts and create their strategies for dealing with clients, better.

Our goal is to have better informed, happier organizations that partner with sensible, successful vendors to co-create value.

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