Service and Support Leader Digest

Volume 2, 2019

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Feature
What Digital Transformation Means for Customer Service

Functional Issue
How to Contain Customers in Self-Service

Gartner

Service and Support Leader Digest

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Letter From the Editor

Last year, our clients told us their top priorities for the next 12 to 18 months were related to digital transformation. Since then, we've interviewed hundreds of our clients to learn more about their digital service goals, challenges and successes. Most service leaders we spoke with expressed a sense of urgency about digital service, and many felt anxious their organizations would be left behind by the competition. Many service leaders were relieved to hear they were not alone; in fact, two-thirds of our clients described their current state as predominantly voice- or phone-centric.

While many service organizations were just beginning their digital service journeys, we did find a handful of organizations leading the way in effectively introducing more digital service offerings into their channel portfolios. We found that the most successful had focused their efforts on achieving scale and improving the customer experience, specifically through automated and self-service.

We're excited to share the findings of our research efforts and give you insight on peer service organizations' efforts to realize the promise of digital service. We'll share how the best service organizations define their digital channel strategies with clear purpose and manage their digital channel investments to ensure continuous improvement and growth in self-service capabilities.

We look forward to continuing our work with clients in the next year on their digital transformation efforts via expert coverage of the service technology market, best digital service management practices from your peers and benchmark data that reveals shifting customer service preferences and behaviors.

Tiffany Fountain

What Digital Transformation Means for Customer Service

by Jeff Schott and Valerie Streets

This research examines the current state of digital and self-service in service and support functions. We help customer service and support leaders understand customer behaviors and attitudes and provide the insights necessary to push their functions toward a more self-service-dominant strategy.

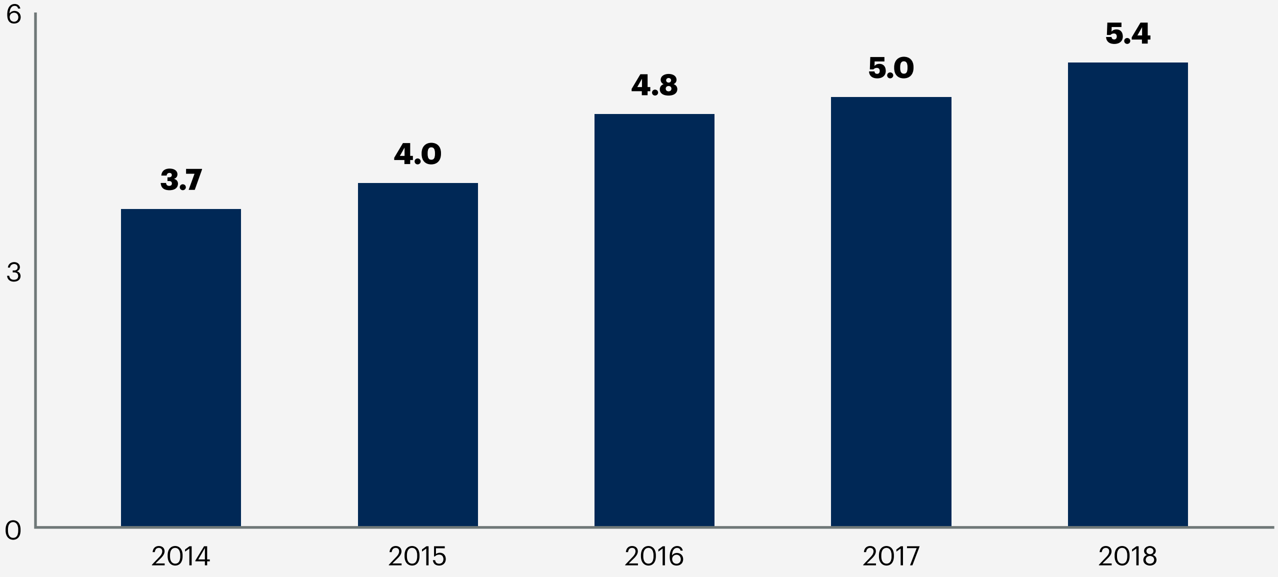
Today's customer service and support leaders are increasingly concerned about expanding their digital and self-service offerings. In fact, 97% of service leaders report pursuing some type of self-service initiative, and managing digital and self-service channels takes priority over other major service initiatives such as talent management and live channel effectiveness.[1]

Internal and external pressures fuel service leaders' appetite for growing digital and self-service capabilities. Specifically, organizational leaders push the service function to reduce operating costs and better scale existing resources, while increasing customer demands for digital service drive service organizations to expand their offerings. Furthermore, service leaders report fearing competitor advancements in the digital space as a source of ongoing motivation to develop their own capabilities.

In response to these pressures, most service functions are taking an "add and integrate" approach, with an overarching strategy of increasing the number of options offered to customers. Currently, 56% of service leaders are adding new channels or features, and 40% are working on integrating the customer service experience across their existing channels.[1] This reflects a persistent trend, as service organizations report a year-over-year increase in the number of channels they offer (see Figure 1).

Figure 1: Average Number of Customer Contact Channels Offered

2014-2018



n = 125 companies

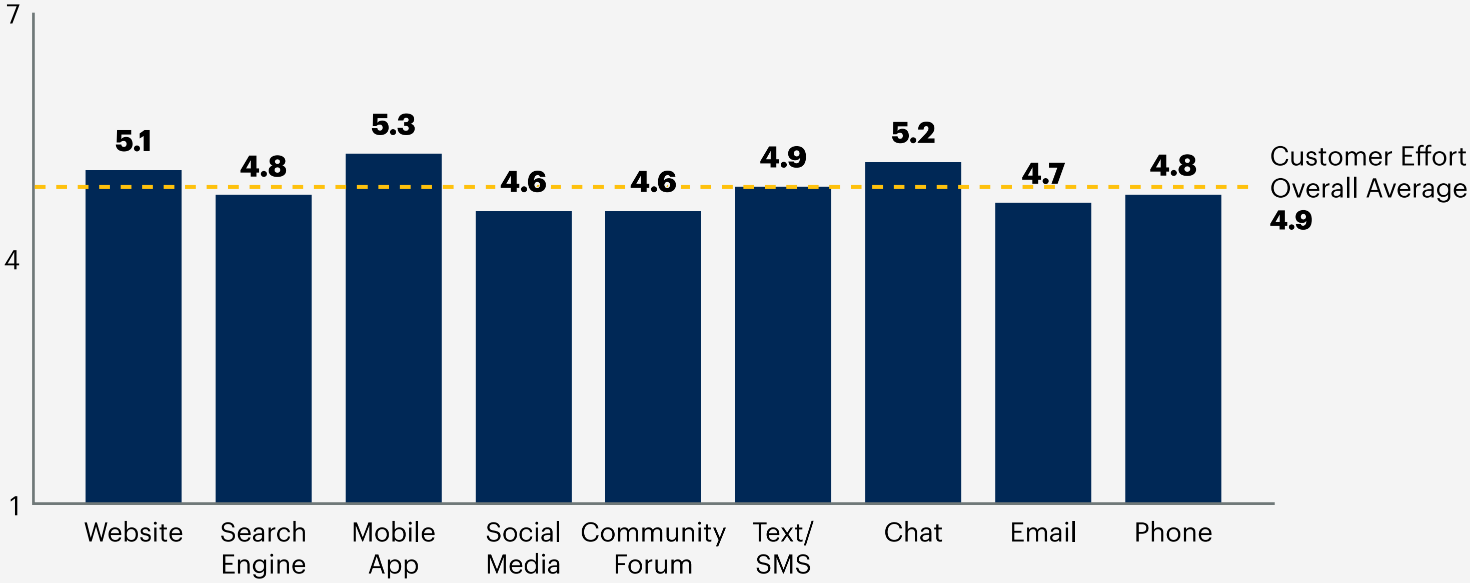
Source: 2014-2019 Gartner Effortless Experience Survey

The Current State of Self-Service

Customers will report a preferred service channel when asked; however, our findings suggest these preferences have little — if any — influence on their service experiences. Regardless of channels used, customers generally report a satisfying and low-effort experience (see Figure 2). For example, we found an overall effort score of 4.9 on a seven-point scale where 7 reflects the least effort, and a customer satisfaction score of 3.5 on a five-point scale. Deeper analysis reveals these metrics do not significantly differ based on the specific channels customers use.

> Regardless of channels used, customers generally report a satisfying and low-effort experience.

Figure 2: Customer Effort by Primary Channel Used During Resolution



n = 8,398 service leaders

Source: 2019 Gartner Customer Service Behavior and Expectations Survey

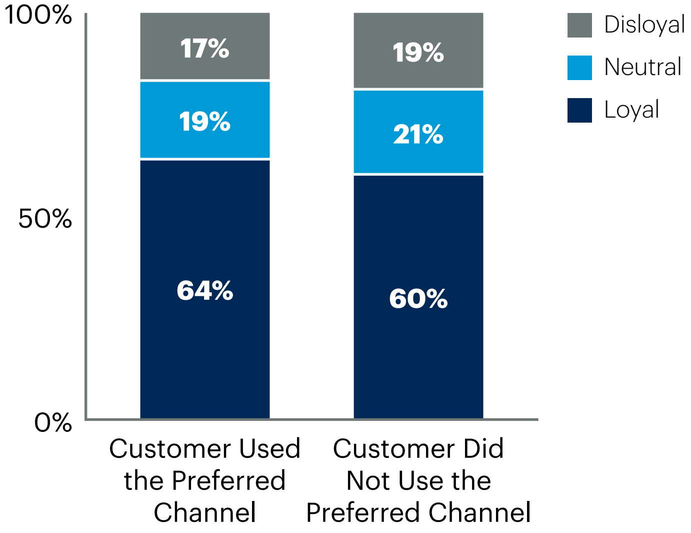
Note: Customer effort score is calibrated such that higher scores indicate a lower-effort customer experience.

Additionally, customer loyalty does not meaningfully differ based on the availability or accessibility of their preferred channel (see Figure 3). Although customers report preferences for certain channels, or perhaps even a variety of channels, our analysis shows their primary preference is resolution. Across all customer journeys we examined, achieving a resolution had the strongest relationship with customer outcomes such as loyalty, CSAT and effort.[2] This data suggests service organizations should prioritize resolution above choice.

While customers are open to using multiple channels to resolve issues, variety comes at a cost. First, the number of channels a company offers is directly related to the average number of contacts customers make during a single resolution journey (see Figure 4). In other words, more choice begets more use. Additionally, more choice is difficult for companies to support, as resources stretch to support a multitude of channels. This trend is reflected by first contact resolution (FCR) rates, which steadily decline with each additional channel companies offer.[2]

Figure 3: Loyalty by Preferred Channel Use and Nonuse During Resolution

Percentage of Respondents

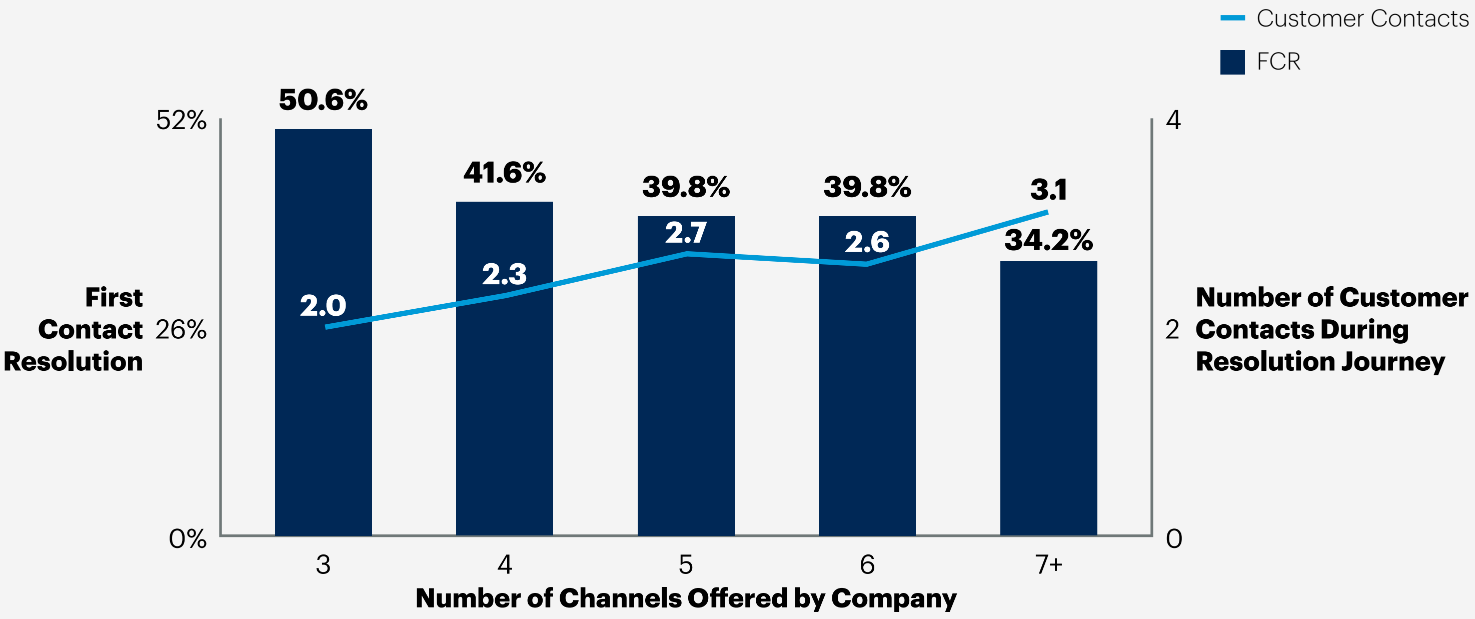


n = 4,212; 4,186 service leaders

Source: 2019 Gartner Customer Service Behavior and Expectations Survey

Note: Loyalty index = customers continue to buy from company + want to buy more + advocate for company. The difference in loyalty between the two groups is not statistically significant.

Figure 4: Comparing Channels Offered, Customer Contacts and FCR



n = 125 companies

Source: 2014-2019 Gartner Effortless Experience Survey

The rising number of customer contacts is especially problematic when viewed through the lens of journey costs. Customer service channels, even digital service channels, are not created equally with regard to cost per contact. Live channels, such as phone, chat and email, cost an average of $8.01 per contact, while self-service channels, such as company-run websites and mobile apps, cost about $0.10 per contact.[2]

After examining over 8,000 customer journeys, we found most customers use both live and self-service channels in their attempts to resolve a single issue.[2] Of all customer journeys, 30% begin and end in a live channel (i.e., agent-assisted channel). Only 9% begin and remain in self-service. The remaining 61% of customers use self-service channels but travel through at least one live, agent-assisted channel at some point in their journey. The latter segment of customers carries substantial cost implications for the organization (see Figure 5).[2,3]

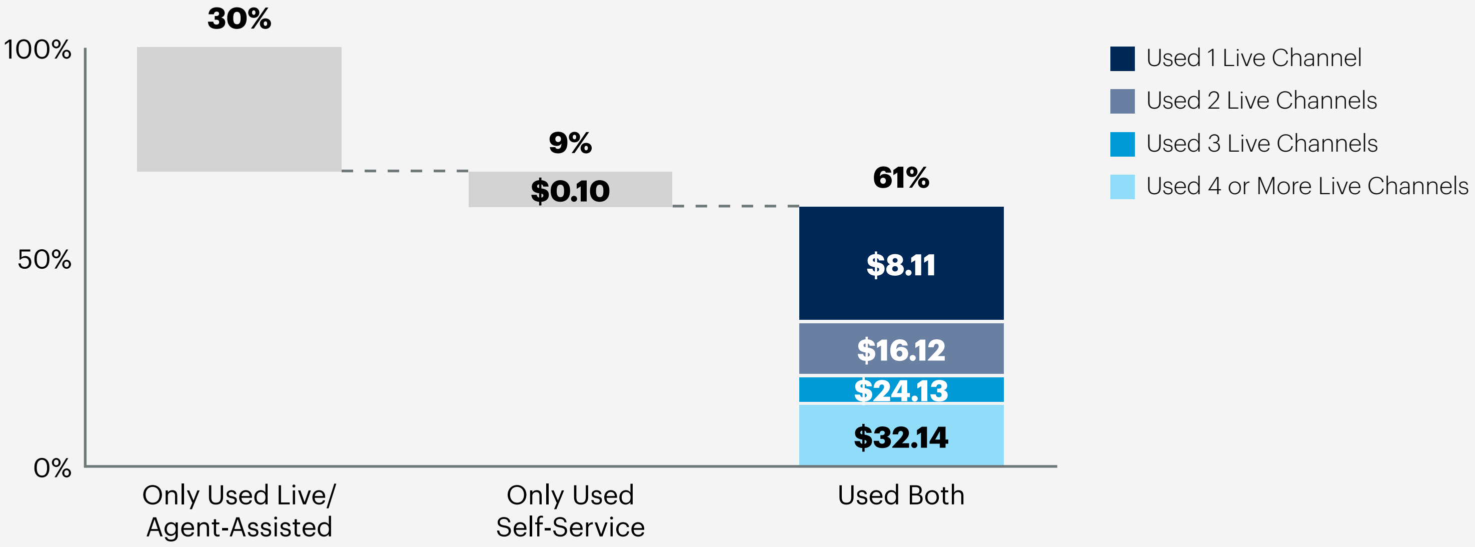
> 61% of customers use self-service channels but travel through at least one live, agent-assisted channel at some point in their journey.

Shifting to the Self-Service Era

The key to reducing live volume and advancing your service function is not adding more

Figure 5: Breakdown of Customer Resolution Journeys and Journey Costs

Percentage of Customers Using Each Channel



n = 8,398 customers

Source: 2019 Gartner Customer Service Behavior and Expectations Survey

Note: Live channels include phone, live chat and email; self-service channels include company website and mobile app.

channels or integrating channels for a more seamless experience but making a distinct shift in your strategy.

Through our analyses, we identified three predominant eras that describe the customer service function's strategy. These eras are not marked by specific dates but instead reflect three distinct faces of a service function's progression toward self-service dominance. These eras are best described as the following (see Table 1):

- **Era 1, Live-Service-Dominant —** Dedicate a large base of live agents to providing low-effort service to customers, primarily via phone.
- **Era 2, Digital as "Bolt On" —** Add and integrate a variety of channels and functionalities in an attempt to meet customers in their preferred channel.
- **Era 3, Self-Service-Dominant —** Guide customers to the best-fit self-service offering, while a limited number of highly skilled agents handle more complex issues.

Roughly two-thirds of organizations (63%) report being fully in Era 1 or between Eras

Table 1: Service Function Eras

	Era 1: Live-Service-Dominant	Era 2: Digital as "Bolt On"	Era 3: Self-Service-Dominant
Value to Customer	Provide a low-effort live experience with the option to self-serve, if desired.	Meet customers where they are in their preferred channel.	Guide customers to the best-fit self-service offering.
Channel Strategy	Efficiently improve live channel quality.	Add and integrate a variety of service channels.	Rationalize channels to reduce cost while maintaining experience.
Operational Strategy	• Maintain a large base of live reps. • Influence self-service owners throughout the organization.	• Reduce the number of reps, and equip them to flex across live channels. • Share self-service ownership with others outside of service.	• Have a limited number of highly skilled reps. • Create dedicated self-service leadership within service.
Measurement Strategy	Monitor live experience and cost management.	Monitor experience metrics and channel adoption.	Monitor self-service containment and live volume reduction.

Source: 2019 Gartner Customer Service Organization Poll

1 and 2. Another 35% report being fully in Era 2 or between Eras 2 and 3. Only 2% of organizations report being fully in Era 3.[4]

What Service Leaders Should Do Now

Delivering on the promise of digital self-service requires an active shift from Eras 1 and 2 to Era 3. Service leaders can steer their functions toward Era 3 by focusing on three main areas: establishing leadership and product management capabilities for self-service to ensure continued improvement, reducing abandonment in existing self-service channels and migrating more issue resolution from live to self-service.

Specifically, they can accomplish this by:

- Dedicating human capital resources to managing self-service channels
- Managing self-service channels, such as products with measurable ROI goals tied to volume reduction and customer experience
- Optimizing self-service channels for containment by instilling customer confidence, which is often fostered by clear and actionable information, resolution confirmation and indications that the available information is credible
- Building a self-service dashboard to capture the performance of self-service channels relative to live channels at the aggregate and transaction level
- Reviewing self-service channel performance to identify new issue types to migrate out of live service

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[1] 2019 Gartner Customer Service and Support Leader Poll

[2] 2019 Gartner Customer Service Behavior and Expectations Survey

[3] 2014-2019 Gartner Effortless Experience Survey

[4] 2019 Gartner Customer Service Organization Poll

Functional Issue

How to Contain Customers in Self-Service

By Michael Aubrey and Emily Potosky

Reducing self-service abandonment is a primary goal for many service organizations who seek to improve their self-service investments' effectiveness. Customer service and support leaders must understand why customers defect from self-service to live channels and design their self-service channels to mitigate channel switching.

Despite companies' major investments in self-service, customers are still contacting live channels to resolve issues. And while not all customer issues are suitable for self-service, service leaders report that 20% to 40% of their live volume could easily be resolved using existing self-service functionalities. Unfortunately, while 70% of customers attempt self-service during their resolution journey, only 9%percent are wholly contained within self-service. The vast majority of customers abandon to much more costly live channels.

Most organizations design their self-service resources to signal comprehensive support to customers. For example, many websites act as encyclopedic information repositories. The notion is that if customers need something, they can easily search for it on the website. While well-intended, these sites quickly become sprawling, interwoven networks of information that overwhelm customers. Though these websites may contain information necessary for a customer to resolve, uncertainty and frustration ultimately lead customers to contact a live rep.

However, not all companies experience this issue. Some self-service functionalities are quite effective at containing customers.

Negative Emotions Drive Abandonment

To better understand containment in self-service channels, we investigated how a customer's psychological state predicted defection to live channels. We discovered that attempting to influence positive emotions — for example, making a customer more engaged in the self-service channel — does not predict whether a customer abandons to a live channel. However, the presence of negative emotions — for example, anxiety, frustration or doubt — has a huge effect on whether a customer abandons to a live channel.

Customers are more likely to remain and resolve in self-service channels when companies reduce their negative emotions (see Figure 1). For example, a customer logs into a website to find account information and begins searching the account portal. The customer is already inconvenienced and becoming more flustered when the information is not readily apparent. After a few minutes without success, the customer's frustration and uncertainty escalates, triggering a switch to a live channel.

Attempting to assuage customers' concerns is a better tactic than boosting positive emotions. This makes sense logically, as customers' negative emotions are heightened in self-service: No one is holding their hand, assuring them things are fine.

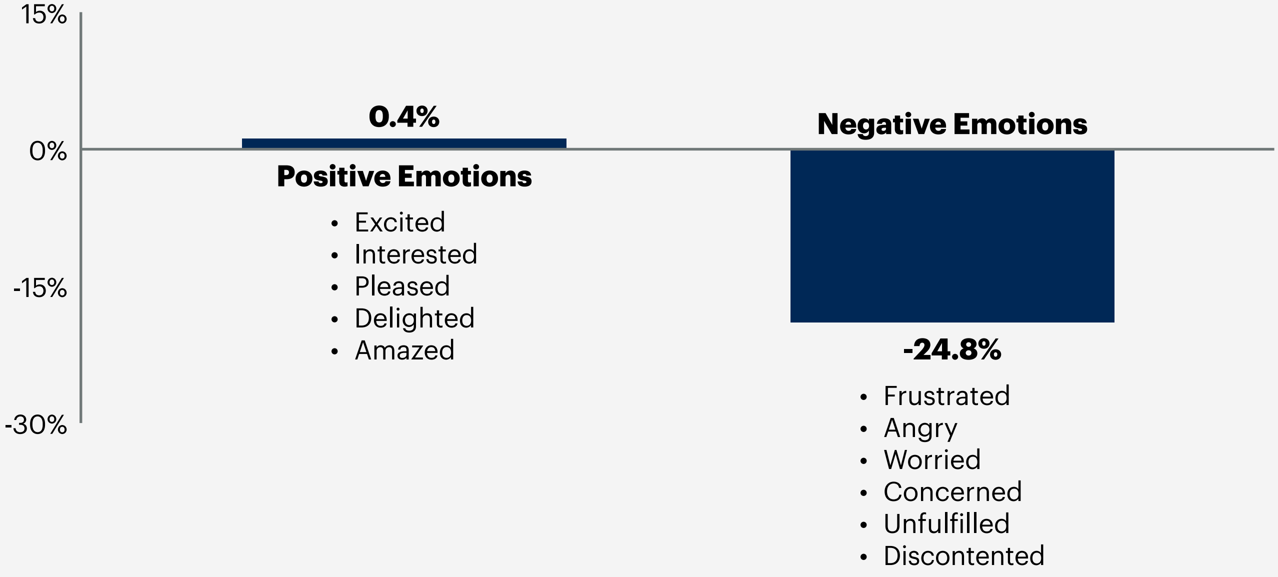
Customer Confidence Reduces Negative Emotions

We wanted to understand exactly how a self-service experience can contribute to negative emotions and result in abandonment. We surveyed over 8,000 customers who interacted with a customer service organization in the previous 30 days and asked them to evaluate their experience across 26 self-service attributes. Using factor analysis, we discovered these attributes group into seven factors:

1. **Clarity —** How easy it is to understand or act on given information
2. **Confirmation —** The presence of messaging that indicates resolution
3. **Control —** Customers' ability to influence or give input on a solution
4. **Credibility —** The usefulness or relatability of information
5. **Human touch —** How well the self-service interaction mimics a live interaction
6. **Personalization —** The recognition of a customer's relationship with the company
7. **Variety —** The ability to interact with the company in multiple, dynamic ways

Figure 1: Positive and Negative Emotions' Impact on Containment in Self-Service

Proportion of Total Variance Explained



n = 2,024 frontline reps from 351 teams and 29 companies

Source: Gartner 2018 Frontline Rep Productivity Survey

The factors that best predict containment in self-service are clarity, credibility and confirmation (see Figure 2). Providing these in the self-service experience fills customers with confidence in their ability to resolve an issue on their own. Psychologically, a lack of confidence originates with uncertainty. In self-service, customers are naturally more uncertain because there is no rep to guide them, and this uncertainty increases the likelihood of self-service abandonment.

Containment Factors in Practice

Clarity

The best self-service functionalities are simple and give customers direction. Should a customer seeking information need to perform a transaction, there are clear links to that specific task. Additionally, transactions break into sequential tasks for the customer. To determine if your self-service functionalities are clear, audit them by asking the following questions:

- Does the content make customers feel they are on a self-service journey?
- Is there a visible demonstration of steps or processes (e.g., screenshots of steps)?
- Are customers informed of the resolution process or timeline?
- Is the text easily digestible (i.e., a Gunning Fog score of 7 or less)?

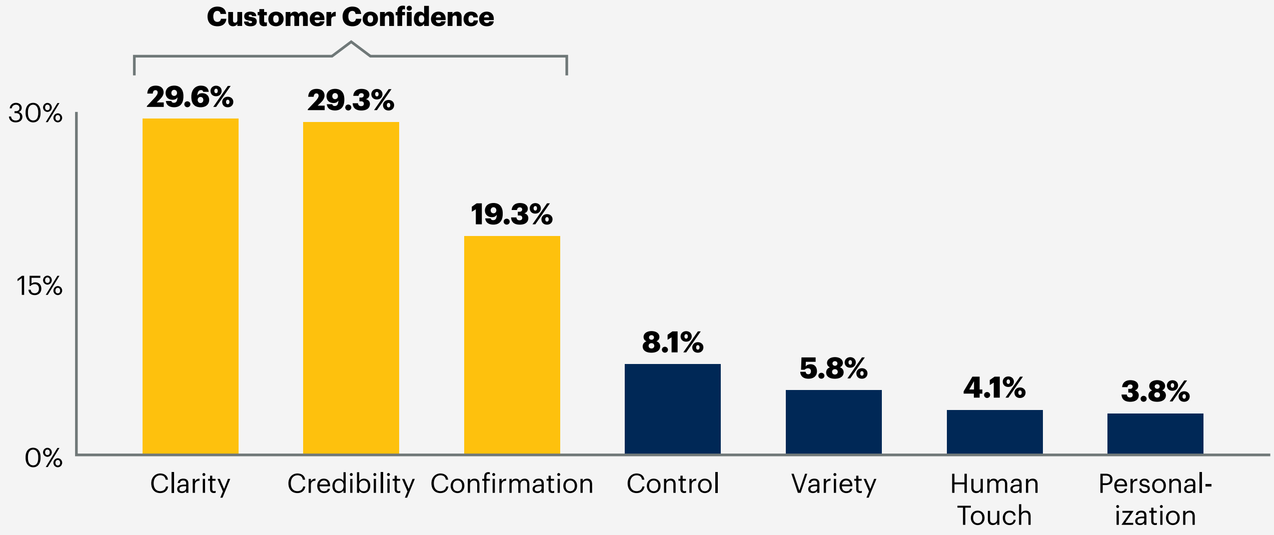
Credibility

Self-service functionalities must make customers feel like the company has thought through how to present content. Content should be relatable and believable to customers. Customers may not readily understand business-centric language, even though it might be accurate or legally appropriate. Audit your functionalities with the following:

- Is the language active and action-oriented?
- Does the content let customers know they are on the right path?
- Is there an indication that the information was helpful to others in the past (e.g., a "top questions" section)?
- Is the text relatable to customers and free of internal jargon?

Figure 2: Factors Ranked by Strength of Relationship With Containment Triggers

Relative Impact on Containment Triggers



n = 2,024 frontline reps from 351 teams and 29 companies

Source: Gartner 2018 Frontline Rep Productivity Survey

Confirmation

Self-service functionalities should provide assurances of issue completion. If a website does not inform customers that their issues are resolved, customers may call “just to double-check,” resulting in an additional unnecessary contact. Additionally, companies should disclose any potential obstacles or exceptions to proactively address future issues. Audit your functionalities with the following:

- Does content provide assurance that future actions will be completed on the customer’s behalf by a set timeline?
- Does content indicate that resolution is complete?
- Does content convey that no additional action is necessary?

The companies with the best websites design them knowing customers are on resolution journeys. They have guardrails to keep a customer on the best path to that resolution, thereby mitigating confusion and uncertainty. Unfortunately, many service websites emphasize an exploratory, browsing approach that provides customers with multiple choices. They contain varied paths to figure out a problem, and in doing so, create ambiguous routes for customers that erode their confidence. Similarly, websites that erode confidence favor this exploratory approach.

Next Steps for Containment

To reduce self-service abandonment, organizations should design functionalities that account for the emotional states of customers entering a self-service interaction. Instead of trying to build positive emotions, focus on mitigating the negative emotions, which better predict self-service abandonment. Hallmarks of self-service functionalities that best reduce these negative emotions provide clarity, credibility and confirmation, which together create customer confidence.

> Hallmarks of self-service functionalities that best reduce these negative emotions provide clarity, credibility and confirmation.

Innovators

Interview With Claire O’Neill

Assistant Commissioner,
Service Strategy and
Assurance at the Australian
Taxation Office

Claire O’Neill, an assistant commissioner at the Australian Taxation Office (ATO), discusses elements of ATO’s channel optimization strategy.

Could you describe your role and scope of responsibilities?

I’m an assistant commissioner in ATO’s service delivery area. My role is to set the strategic direction for the way we design, build and deliver client-facing services for the community. These days, my key focus is to support ATO’s 2024 Vision, developing a new channel management approach.

Could you talk a little more about ATO’s 2024 Vision and how your work is supporting it?

Our tax system has some simple aspects, but in other parts it can also be quite complex. The goal of our 2024 Vision is to create a streamlined, integrated and data-driven future that builds trust and confidence in the community. We need to make it easier for taxpayers to do the right thing … and harder not to!

Taxpayers interact with the tax system by using one of our services. Whilst we’ve made many improvements to simplify our services, there’s still more to do. Our services today are offered across 12 different channels, which is costly and confusing to customers. To support our 2024 Vision, we are building a channel strategy that not only promotes using digital channels as the default but also provides an optimum experience in nondigital channels when digital is not appropriate.

> By having a strategy for our channels, we can have a greater understanding of which investments we want to make.

By having a strategy for our channels, we can have a greater understanding of which investments we want to make. We can also improve participation, compliance and collection rates — all while balancing cost with the customer service experience. But I can’t just think about what our channel strategy needs to look like today. I must think about what service looks like in 2024. What do we need to shift? And what does this mean for future service design and channel management?

What strategies do you use to determine your channel portfolio strategy?

We start by thinking about the customer's need in any given interaction. Are customers looking to get information from us? Are they looking for support through a back-and-forth interaction? Or do they want to perform a transaction? All three of these activities have different requirements, and some may be better performed in one channel than in another.

We evaluate the suitability of each channel based on five key considerations:

1. **Experience —** Does this channel provide a good experience for the customer and the organisation today? What experience could it provide in the future?
2. **Customer Type and Need —** Different customers have different needs. Are there reasons why a customer segment would be unable to resolve in a particular channel?
3. **Organisational Outcome —** Do the attributes of the channel support our broader objectives? (i.e., Does a particular channel make it harder to comply, or hard not to?)
4. **Staff —** Does this channel have implications for the staff experience? Do we need to change what our staff does? How do we best support our staff so that they in turn can support our customers to move to preferred channels?
5. **Cost and Effort —** Do the interactions in the channel offer a return on investment? Does the channel offer the most effective way to facilitate those interactions? Can we streamline the service to remove unnecessary interactions altogether?

We use these considerations to determine our preferred channel for each interaction based on the customer's activity. However, sometimes the best channel for serving the client's need is not feasible to offer due to cost, logistical, technical or strategic reasons.

We have therefore built a channel suitability framework that describes not only the preferred channel for each interaction type but also the "next best" option.

Last, through this process, we also identify channels that are ill-suited for most activities and thus need to be minimised or even retired. Our aim is to actively limit any use of nonpreferred channels to only those customers who genuinely can't access the preferred option.

As you went through this evaluation process, did you find anything surprising?

We found that many people have incorrect assumptions about customer behavior, with a lack of understanding about what barriers actually do (and don't!) exist for some customers.

The biggest concern we've encountered is the belief that "choice is good" — a belief that we should provide multiple channels and let customers choose which ones to use. Because of this, some stakeholders were reluctant to go down the path of channel rationalisation because they were nervous about removing customer choice.

However, choice is problematic; "choice" sounds altruistic because it implies that customers can take control of their own decisions, but with every choice you provide, you also introduce complexity. Too many choices can actually make it hard for clients to determine what they need to do. It also makes the service experience more complex and drives up cost.

what do you do after evaluating your channels?

After determining channel suitability, we migrate customers to preferred channels and away from poor-fit channels by using two strategies: passive strategies (which are always used) and active strategies (which are selectively used).

Passive strategies include educating customers about the preferred channel through general information and promotional activity and by designing the preferred channel to be easy to use.

Active strategies are much more targeted, and we may not always use them. We have three types of active strategies. Whether we use them depends on the particular channel, the interaction types and the customer needs.

Could you go into more detail about the three active strategies?

The first is about **nudging** customers to preferred channels by applying behavioral economics principles based on social norms. For example, when promoting voice authentication, we may use specific phrasing such as, “3.5 million other Australians are already using their voiceprint.” Deliberate nudges may be built into scripting for our staff to use or into our online information for clients to read, or they may be used to create specific touch points, such as outbound SMS campaigns used to prompt a reactive customer change.

The second is about **incentivising** customers by creating a situation in which the customer benefits from using the preferred channel. For example, in some of our services, we offer an automatic extension for due dates and commit to faster turnaround time for customers who file electronically.

The last is about **mandating or restricting use.** This may include making it compulsory for some customer groups to use certain channels. For example, we have identified some simple interaction types whereby tax agents were calling when they could easily self-serve. We have therefore “restricted” their access to the phone channel in three ways: We removed pathways for live-agent-based resolution in the IVR; adjusted live agent scripting to include the phrase, “We are unable to do this for you”; and empowered live agents to help tax agents only in very specific circumstances (for example, if they genuinely did not have access to internet).

What are you planning to do next?

Our focus for the next 12 months is embedding our new channel suitability framework across the organisation. We will be working with design and project management teams to build their understanding about our channel principles. We have also appointed channel sponsors — senior leaders responsible for championing the channel suitability framework and making sure it’s embedded into all interactions that pass through their channel, and for monitoring the success of customer transition. We’ll also be working closely with these new channel sponsors to develop a roadmap for change and determine investment for each channel.

Innovators

Interview With Paul Phau

Self-Service Director
at Beachbody

Paul Phau discusses some of the elements of Beachbody's self-service evaluation and decision-making strategy.

Could you describe your role and scope of responsibilities?

I'm the self-service director at Beachbody, and I'm responsible for setting our self-service strategy. This includes managing informational content such as FAQs as well as building functionality that allows customers to perform self-service transactions. I manage a unique team of people responsible for improving self-service and ultimately reducing live volume. In the past year, we've reduced live inbound volume by 33%.

Thirty-three percent in one year is extremely impressive. What did you need to do initially to make these changes?

It began by recognizing and ultimately estimating the economic impact that improving self-service could have on the business. If you have $1 million to spend, most organizations will think about how to increase revenue. It can be difficult to say, "You should invest that in service." But we quickly realized that the business case for self-service was compelling.

To establish that ROI, we first needed to improve our analytics. We set up our business intelligence database so we could track contact drivers at a more detailed level — for example, tracking password reset requests versus general "manage my account" contacts. Without this extra level of detail, it was difficult to know if our self-service investments were working as intended. At first, it felt like the month we spent implementing back-end tables didn't directly impact the customer service experience or cost, but in the end, that's the only way you can prove what you're doing is valuable.

The second thing we needed to do was choose which functionality to build in self-service. We started with high-volume, low-complexity transactions. However, we had to carefully work with our business partners to ensure the transactions we chose wouldn't negatively impact our overarching goal of growing the business. That's why we don't allow customers to perform certain transactions in self-service, such as making certain order changes. If customers were able to do this in self-service, we'd miss out on a great upsell opportunity.

As you built your self-service strategy, how did you assess your progress?

We regularly track three sets of indicators:

- **First, we look at how the composition of channels that customers are using to resolve their issues changes over time.** For example, if 35% of customers resolved in self-service channels in the first quarter, we would want to see how that has changed in the second quarter and then again in the third quarter. Last year, we saw significant decreases in the proportion of live contacts — especially voice — relative to self-service.
- **Second, we track absolute contact volume.** This allows us to see how contact volume is changing over time due to, for example, customer growth or net new inquiries. It helps us understand if the change in channel composition is caused by customer migration to self-service or by an overall increase in volume.
- **Lastly, we look at resolution at the individual transaction level.** This allows us to determine what percentage of each transaction is being performed in self-service (for example, the ratio of password resets that happen in self-service versus live channels).

Tracking these three types of metrics together allows us to gain a comprehensive picture of self-service performance. The first two tell us how our overall portfolio is performing, and the last metric helps us determine which self-service transactions are performing well and which require future investment.

We've found that service leaders struggle with evaluating informational content performance (e.g., FAQs, knowledge articles). How do you monitor these?

We collect customer feedback and observe customer journeys across our digital properties. We find that this combination of analytics, customer feedback and observation provides us with a holistic view of self-service performance. Analytics alone can be misleading as it only captures customer behavior, not intent. And when dealing with informational inquiries, it's hard to capture resolution data.

Post-transactional surveys only capture surface-level information and rely on customers being able to articulate what went wrong on their journey, which is often hard for customers to assess. Observation is quite time-intensive, but it allows us to determine where customers are confused, having difficulty navigating or abandoning the self-service channel.

How do you observe journeys, and how do you use this information?

I usually spend about two hours a week observing journeys, and I average 25 journeys an hour. I look for several things: irregularities in customer journeys (for example, overlong journeys, abandonment points, repeat transactions and switching to the live channel), odd navigation sequences and error messages. While we work with vendors (Medalia and Hotjar) who provide us with feedback, screen recordings and heatmaps, we sometimes also conduct focus groups with employees in other departments that are unfamiliar with the functionality.

We use this information to tweak language, fix functionality and even reprioritize upcoming projects.

What results have you seen from this?

In just one year, we've transitioned most of our inbound contacts to self-service and saved $2.5 million in the process. We've reduced customer service expenses by 23%, which has allowed us to reinvest in more functionality and higher-skilled staff, my team included, while also giving money back to the business.

What are you planning on doing next?

Throughout this year, we will continue to launch self-service functionality. Right now, we are trending at 61% self-service usage in terms of overall contact distribution. My current goal is to increase self-service usage to up to 70% of overall volume.

Since self-service has now become such a high-volume channel, we are looking at ways to generate revenue through our portals. For example, we have added a "buy it again" button and will continue to add ways we can market and engage with customers while meeting their needs.

Future Outlook

When Things Become Customers

By Tiffany Fountain and Emily Potosky

Virtual customers are coming. Customer service and support leaders must understand the challenges associated with these technologies and implications for the service function.

The proliferation of technology makes this an exciting time to be in customer service. Fundamental assumptions, such as the fact that customers are human, are being challenged by advances in technology. This is heralding a new third "wave" of customer service.

- **Wave 1: Person to Person —** If a customer had a customer service issue, they would typically speak directly with a company representative.
- **Wave 2: Person to Multichannel Interface —** The introduction of channels (e.g., telephone, mobile, internet, email) brought variety into customer service interactions. Customers could now choose how they wanted to interact with organizations. They could also choose to resolve issues on their own instead of through a representative.
- **Wave 3: Things as Customers —** Due to advances in virtual personal assistants (VPAs) and artificial intelligence (AI) technology (e.g., machine learning, data analytics, natural language processing), the customer seeking issue resolution may not be human. By 2020, we predict at least 20 billion things will be connected via the Internet of Things (IoT) and 5% of all digital commerce transactions will come from a smart device. Therefore, VPAs (also referred to as voice assistants or virtual customers) will perform a portion of customer service interactions, rather than the customers themselves.

Challenge 1: Technology Capacity and Capability

Virtual customers need a lot of information about the customers they represent. They must recognize a customer's preferences and understand the breadth of factors that may influence a customer's actions. Without this knowledge, the virtual customer cannot appropriately navigate the trade-offs that are inherent in any service interaction. For example, a VPA making a hair appointment for a customer will struggle if it does not understand which is more important to the customer: the time of the appointment or access to a specific stylist. AI as it currently stands cannot independently navigate this type of interaction; human intervention is necessary.

Another challenge is machine-to-machine communication. Many phone inquiries start with an interactive voice response (IVR). A VPA confronted by an automated system may be slowed down due to system compatibility issues.

Challenge 2: The Data Privacy Regulatory Environment

A few factors make the current regulatory and operating environment unfriendly to virtual customers. Current legislation is unclear, and most organizations have insufficient technology and lack clear internal policies to ensure privacy rights are upheld. Operationally, organizations face challenges in ensuring virtual customers are authorized to act on a customer's behalf and can effectively interact with an organization's channels.

Organizations must therefore consider how to authenticate virtual customers and determine they are actually acting on behalf of the customer they claim to represent. In addition, organizations will need to decide when and where they are comfortable serving virtual customers and whether they are willing to accept personally identifiable information (PII) from a virtual customer.

Challenge 3: Determining Legal Liability

Most organizations have no clear policy for determining liability in virtual customer interactions. If something goes wrong with the transaction — for example, the VPA gave the wrong information or ordered the wrong item — who is liable? Additionally, in the case of crimes, organizations and legal institutions must also determine if user data collected by VPAs is protected under constitutional law.

Challenge 4: Brand Strategy

A customer service interaction, while usually unwanted, is still an opportunity for the customer to interact with the brand. When customers use VPAs for customer service, for better or worse they no longer have the same experience with a brand. We predict 75 of the top 100 global consumer brands will lose 20% of their brand equity value due to decreasing brand loyalty and the increasing influence of digital gatekeepers. This could be challenging for marketing and customer experience leaders as they must determine how to keep control of the relationship with the consumer without benefitting from direct contact.

Rather than emotions, algorithms derived from user preferences drive the choices that virtual customers make. Instead of focusing on fostering emotional connections with customers, service organizations will need to determine how to engage virtual customers' algorithms.

Challenge 5: Human Acceptance

Even though more customers are employing connected devices and/or VPAs in their own homes, they increasingly distrust technology. According to our research, an increasing number of consumers would trade convenience for data privacy assurance. With VPAs taking the helm, customer service organizations must work even harder to foster human trust in the interaction.

Gartner Customer Contact Leadership Council

2019 Calendar of Upcoming Events

Full-Day Executive Meetings[1]

Delivering on the Digital Promise

- 09 October | Atlanta
- 12 November | Orlando
- 04 December | Las Vegas

Regional Briefings[2]

Delivering on the Digital Promise

- 10 September | London, U.K.
- 17 October | Philadelphia

Upcoming Webinars[3]

September
Why Customers Abandon Self-Service and How to Stop It

October
Service Essentials: Introduction to Next Issue Avoidance

November
Key Trends in Service Leaders' Budgets and Priorities for 2020

December
Service Essentials: Measuring Customer Effort

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[1] Executive meetings are reserved for heads of customer service and support. Please check with your Gartner Account Executive for registration.

[2] Regional briefings are reserved for direct reports to heads of customer service and support. Please check with your Gartner Account Executive for registration.

[3] Webinars subject to change. Additional webinars planned for October and November; topics pending.

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