



Delivering Service at the Speed of Customers

Connecting with the empowered mobile and social customer requires companies to achieve three core competencies: the power to **engage**, the power to **simplify**, and the power to **change**.



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Executive Overview

Companies are losing customers in droves. In fact, each year, the average company loses between 10 to 40 percent of its customers, according to industry research. For some companies, this means that nearly half of their customers are walking away, never to return.

More often than not, the chief cause for customer churn is poor service. According to Bain & Company, a customer is four times as likely to defect to a competitor if a problem is service-related¹.

For business leaders who are struggling to grow profits and revenue, it's a clear case of "one step forward, two steps back" as millions of dollars in customer lifetime value is walking out the door.

Customer service sits at the heart of the customer-company relationship. Customers who receive consistent and relevant experiences that deliver on their needs and preferences are more likely to remain loyal, according to research from Temkin Group². Happy customers are also more likely to recommend a brand to their connections, thus providing a company with steady incremental revenue.

Problem is, most companies are pushing customers away by continuing to rely on antiquated systems and processes that make the customer support experience agonizing. "There are simply too many gaps in providing customers with intelligent and relevant support," says Alan Trefler, founder and CEO of Pegasystems. "To address these gaps, companies attempt to hire more skilled workers," says Trefler. "But as the world becomes more complex, humans can't be the grout that fills all of these gaps."

When a customer has a mediocre or poor support experience, it weakens the level of trust and confidence he has in a company and prompts him to explore alternative providers.

"The bottom line is that if companies don't fix these problems *now*, more customers are going to leave," says Steve Kraus, senior director, product marketing at Pegasystems.

To stem the tide of departing customers, companies must deliver on the promise of accurate and timely service that requires minimal effort. Delivering on this promise requires companies to achieve three core competencies:

1. The power to engage: To engage and retain today's customer, businesses need to optimize every customer interaction—wherever and whenever they may take place. This includes making each experience easy and fluid for customers, regardless of the channels or touchpoints they may use to interact with the company. Customers don't want to be transferred between departments or to repeat themselves to an agent about the nature of their issue. They want relevant and efficient experiences with knowledgeable agents in the channels they choose to use, including mobile and social. To do this effectively, companies require the **power to engage**.



Table of Contents

| | |
|--|----|
| Executive Overview..... | 2 |
| The Power to Engage..... | 4 |
| The Power to Simplify..... | 6 |
| The Power to Change | 8 |
| Case Study: Making Self-Service Intuitive for Bank Customers | 8 |
| Conclusion..... | 10 |
| Endnotes..... | 11 |

2. The power to simplify: Many companies struggle with complexity and inefficiency. This is often a by-product of applications, systems, and processes that have accumulated over the years from strategic initiatives or mergers and acquisitions. When agents have difficulty navigating the disjointed applications needed to resolve a customer issue, the customer suffers.

Customers want service experiences that are simple. They want to resolve their issues quickly and easily on the first contact. It's about arming agents with the intelligence to know why a customer is contacting the company and simplifying the agent experience to streamline the interaction for the customer. Forcing agents to jump between different screens to find needed information increases handle times and delivers a disjointed experience for the customer. To deliver a straightforward service experience, customer service organizations need the **power to simplify**.

3. The power to change: Companies need to move at the speed of business. To do so, customer service organizations must adapt to evolving customer requirements and behaviors without costly software redeployments. Companies also need intelligent self-service systems and devices that can anticipate and respond intuitively and immediately to customer requests in real time. In short, customer service organizations require the **power to change**.

Supported by insights from **Pegasystems**, **1to1 Media**, and industry practitioners, this white paper will provide customer service leaders with insight into how to attain these three competencies by:

- **Optimizing** their customer support capabilities
- **Delivering** a guided customer service experience
- **Leveraging** the right platform for heightened agility and customer intelligence
- **Measuring** business performance results like customer lifetime value

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The Power to Engage

Empowered and connected customers using multiple channels to suit their needs – including mobile, web, social, chat, email, and voice—are forcing companies to change the way they support customers. For instance, with the advent of the Internet of Things, technologies such as in-vehicle communications can automatically notify a telematics center when a driver has been in an accident³. But in order for companies to interact with omnichannel customers wherever and whenever they choose, organizations have to radically change their approach to digital engagement⁴.

The traditional approach that companies have taken to connect with customers electronically has been to develop software applications that are intended to streamline and simplify customer-company communications. However, approaches to software development haven't changed all that much over the past 60 years. Applications are still largely standalone, they're poorly integrated with one another, and they aren't designed with the customer experience in mind⁵.

"The current app culture isn't customer centric," says Trefler. "Businesses need to create applications and processes that make the customer experience easier. In this hyperconnected world in which we live, customers won't just leave a company if they're dissatisfied; they'll demonize the company in social media," Trefler adds.

In most cases, customers will leave without warning. According to one study, 91 percent will simply leave and never come back⁶.

Companies need to break free of the old school mentality toward customer support. Enabling customer engagement is about making each experience effortless for customers, regardless of the channels or touchpoints they may use to interact with the company⁷. As companies such as Apple and Zappos have raised the bar for the quality of their customer experiences, consumers now expect five-star treatment from every company they do business with⁸. Unfortunately, the majority of companies haven't kept pace with these rising expectations.

Nearly one-third (31 percent) of U.S. adults surveyed in the 2012 American Express Customer Service Barometer Study say that the customer service experiences they have with companies typically miss their expectations⁹. In fact, the percentage of American consumers surveyed by American Express who feel that companies are failing to meet their customer service expectations has risen for each of the past three years.

"Customers have more and better information available to them than ever before," says Kraus. "Customers also have more choices than ever, so companies that want to retain and attract customers need to provide the service their customers are looking for."

Taking cues from the omnichannel customer

Technology can strengthen engagement with customers in the channel or channels of their preference in a number of different ways. For instance, customer service leaders can apply predictive analytics against behavioral data to help customer service leaders identify recent channel activity and drive better decisions. Or, perhaps, a system may inform a customer service agent when a retail customer has switched from using mobile self-service to a web-based chat discussion. The agent can determine the type of issue the customer was trying to resolve and pick up the discussion immediately instead of forcing the customer to start their interaction from scratch.

Delivering seamless and knowledgeable omnichannel support is critical to strengthening engagement – and loyalty. Indeed, 89 percent of consumers say that both speed of response and problem resolution are the most important aspects of receiving solid omnichannel customer support, according to a study by Aberdeen Group¹⁰.

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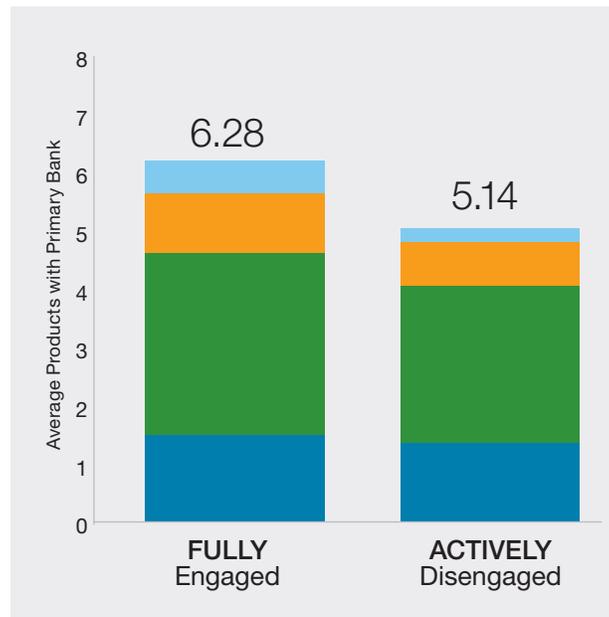
Adapting to customers' needs

One Pegasystems client, a top credit card company, regularly evaluates customer feedback to better understand how its service is being interpreted and makes adjustments to its service policies and procedures when needed. By taking a customer-centric approach to providing seamless omnichannel service to its customers, the company was ranked first in the J.D. Power 2013 U.S. Credit Card Satisfaction Study¹¹. In addition, by crafting a seamless omnichannel customer support experience supported by complex business rules that are invisible to the customer, American Express has been able to triple customer satisfaction and reduce card member attrition by 400 percent¹².

The right technologies and customer-centric processes can fuel engagement and help drive positive business outcomes, including increases in customer lifetime value. In the next section of the paper, we'll explore opportunities for companies to deliver on **The Power to Simplify** and provide customers with frictionless, uncomplicated service experiences to keep them in the fold.

Engaged Customers Buy More Products

Forward-thinking customer service leaders have evolved their thinking beyond taking a static, 360-degree view of the customer to a more action-oriented and engaging approach. There are solid business benefits for doing so. The more engaged a customer is, the more likely he or she is to buy more products from a company. According to Gallup's 2013 U.S. Retail Banking Study, customers who are fully engaged generate \$402 in additional revenue each year to their primary bank compared to actively disengaged customers¹³. This ramps up to \$869 per year for mass affluent customers (those with \$100K to \$1M in investable assets).



Other
Credit Products
Related Deposit Products
Core Deposit Products

Source: Gallup 2013 U.S. Retail Banking Study.

The Power to Simplify

As the pace of our daily lives has seemingly shifted into warp speed, customers crave simplicity in their efforts to resolve product or service issues¹⁴.

Simplifying these service experiences can have a multiplier effect for businesses. Research conducted by the U.S. White House Office of Consumer Affairs reveals that a happy customer who has a problem resolved satisfactorily is likely to share their experience with four-to-six people, generating incremental revenue¹⁵. Meanwhile, customers who consistently receive trouble-free support are more likely to continue doing business with a company and even increase their spending with a company, according to Peppers & Rogers Group¹⁶ (see sidebar, page 9).

Unfortunately, too many companies put up artificial barriers that prevent customers from receiving simple support experiences. Although not by design, many companies unintentionally create complexity in the customer service experience through layers of applications and systems that have been cobbled together as a result of mergers and acquisitions and various corporate initiatives¹⁷. As new applications are added, they're rarely integrated with other systems used to support customers. As a result, agents often have to toggle between multiple screens. They have difficulty finding and relaying the information that customers are seeking. This disjointed customer experience frustrates both the customer and the agent.

As most customer service leaders know, delivering simplicity isn't easy. "Simple, as we've learned from companies such as Apple, is how you become a leading company¹⁸. But simple is hard," says Trefler. Companies face dense corporate infrastructures and rising support costs as they continue to add support for new channels.

Taking a customer-centric approach

A good starting point for untangling this knot of complexity is by designing the customer service experience around the customer's needs. This typically requires a shift in the organizational mindset.

"Companies need to do a better job of thinking like a customer," says Kraus. "How would a customer want an interaction to occur? Is it easy for them? Consider how the customer experiences your service, not just your products," adds Kraus.

This can be accomplished, in part, by giving customer-facing employees the answers they need to provide a customer with immediate resolution. Instead of placing a customer on hold while an agent checks with a manager to extend a customer's bill payment deadline by a few days, an agent should see that a customer has a solid credit history with the company and be authorized to extend the customer's payment deadline right on the spot.

A leading wireless provider in North America analyzes usage history and customer attributes to improve the customer experience. Using real-time decisioning, they are able to make consistent, relevant recommendations across all channels, including over 20,000 customer service agents.

For example, a customer calling about a late payment will hear an IVR message recommending they sign up for automatic payments.

Technology can also help customer service teams sense and respond to real-time events based on business rules that have been incorporated into a CRM or a contact center system. For example, let's say a high-value bank customer calls a bank's contact center to complain about an overdraft charge applied against her checking account. The system can recognize that the agent is working with a high-value customer and prompt the agent to waive the overdraft fee for the customer.

Such an offer is likely to leave the customer feeling satisfied that the bank values her business. Having that type of intelligence embedded into a customer service application also makes it easier for agents to

Simplification reduces overall customer effort so they don't feel like they're wasting their time – instead, they see service interactions as meaningful and valuable.

— Steve Kraus,
Senior Director,
Product Marketing,
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deliver better experiences for the bank's customers¹⁹. According to a 2013 study by ICMI, 66 percent of customer service leaders say customer satisfaction improves when agents have faster access to customer data²⁰.

In an ideal world, customer service doesn't begin and end in the contact center. Progressive organizations want all their employees to be able to resolve customer problems—regardless of whether that employee works in customer service, in accounts payable, or in some other company department²¹.

To execute on this strategy, companies can incorporate case management capabilities. Case management ensures that each customer issue makes its way to someone with the knowledge and authority to solve the problem. That way, customers don't have to endure repeated transfers from one department to another which can lead to frustration and churn.²²

Anticipating service needs

Another way technology can simplify the customer experience is through predictive analytics. Predictive analytics use behavioral information to anticipate why a particular customer is reaching out to the company.²³

For example, a customer of an electric utility may dial into the IVR system on or about the 10th day of each month to pay his bill by phone. Based on this call pattern and other profile information, the IVR can customize his experience so he can pay his bill in just a few steps.

Taking this example a step further, analytics might suggest the system offer that customer an automatic debit option, saving him time from using the IVR system each month.

With technology embedded into so many aspects of our day-to-day lives, customers fully expect that companies should have the systems in place to handle their service requirements fluidly and completely. The customer service experience should not require unreasonable customer effort.

"It comes down to how much effort a customer has to put in to maintain a relationship with a company," says Kraus. "When it becomes too difficult for customers to do business with a company, they'll leave." Simplification reduces the customers' overall effort. When customers consistently receive high-quality service experiences, it encourages them to continue doing business with that company.

To keep up with rising customer expectations, companies need technologies to adapt to changing requirements and customer behaviors. To deliver on these expectations, companies require **The Power to Change**, which we'll examine more closely in the next section of this paper.

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The Power to Change

Change in business is accelerating at a breakneck pace. The explosion of digital channels used by customers such as mobile and social, along with heightened global competition and an eruption of government and industry regulations, is making it increasingly challenging for business leaders to keep up.

These whirlwind changes are met by a virtual wall in enterprises where the IT organization can't keep up with the volume of new projects and systems enhancements required by the business. Such enterprises cannot keep pace with changing customer needs and market conditions. Six Sigma and other process improvement techniques only go so far in making an impact. To close the gap between a business' desire to change and IT's ability to execute change, organizations need a new approach to customer service automation. While there will always be a need to customize and configure software, most companies are hard-pressed to keep up with the pace of change.

Antiquated systems and rigid processes can't adjust to ever-evolving customer behaviors and preferences²⁴. Companies need technologies that adapt to shifting customer requirements and behaviors without requiring the costly, time-consuming overhaul of existing systems.

Companies must build for change. New, adaptive technologies are now available where companies no longer need armies of software developers to write and rewrite code. The right technologies can learn and adapt to changing customer preferences and business requirements.

"Customer centricity is a great term and an admirable goal," says Trefler. "But if your organization doesn't have end-to-end processes and the ability to manage and automate work to mesh with the customer lifecycle, then you won't be able to follow through to provide customers with the types of experiences they expect," Trefler adds.

Making Self-Service Intuitive for Bank Customers



One Pegasystems client, HSBC Bank, has high-value commercial customers that have accounts in countries around the world. To make it easier for clients to make a transaction in Chile, the U.K., or any one of the 87 countries where the bank operates without having to reach out to a bank associate for assistance, HSBC worked with Pegasystems to create a Global Payments Investigation engine^{25, 26}.

The engine allows the bank to integrate transactional requests made by commercial clients from a number of different sources, including email and HSBC's portal, dubbed HSBCnet. Integrating the different systems used by customers for these requests was critical for simplifying the customer experience. For instance, 35 percent of the bank's payment requests come via email. Customers needed a convenient way to conduct transactions using the platforms and channels of their choice.

For instance, a commercial banking customer may choose to use HSBCnet to request a payment be made for a corporate loan payment. The request can be intelligently routed and processed electronically. Using the Pega Smart Investigate for Payments platform, 85 percent of electronic payments from HSBC's global commercial banking clients are now routed using the system.

The self-service systems have been well received by HSBC's commercial clients. Customers are empowered to complete their transactions efficiently on their own. This has improved satisfaction among HSBC's commercial clients, enabling the bank to retain a higher number of customers and their revenues.

Driving agility through change management

By unifying customer engagement capabilities with business process management (BPM) tools, companies can capture customer support objectives directly into their applications.

Doing this effectively requires decision-makers to approach these efforts at the intersection of two lifecycles: the customer lifecycle—the customer journey of researching and purchasing products and receiving post-transactional support—and the work lifecycle of how a company internally manages customer support.

Case management is central to bringing together the information needed to support the requirements of these two lifecycles. Case management makes it possible for organizational leaders to automate, guide, and track the work that needs to be done in the contact center. Case management offers decision-makers end-to-end control over the work that's conducted to support customers – regardless of the people, organizational divisions, and systems that the work touches. Companies like the aforementioned wireless provider are able to deliver frictionless support by adapting quickly and easily to changing customer requirements. In the sidebar that follows, discover how another Pegasystems client, HSBC Bank, has used Pegasystems technology to make it more convenient for its high-value commercial customers to carry out transactions using the platforms and channels of their choice.

Customer centricity is a great term and an admirable goal. But, if your organization doesn't have end-to-end processes and the ability to manage and automate work to mesh with the customer lifecycle, then you won't be able to follow through to provide customers with the types of experiences they expect.

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Highly Satisfied Customers Stay Loyal and Spend More

When customers are satisfied with a company's service, they're more likely to remain loyal, increase their spending, and recommend the company to others. A study conducted by Aberdeen Group demonstrates the business benefits that can accrue from highly-satisfied customers²⁷

| Metrics | AVERAGE RESULTS | |
|---|-----------------------------|-----------------------------|
| | Customer Satisfaction > 90% | Customer Satisfaction < 50% |
| Customer Retention | 89% | 48% |
| Customer Loyalty Score | 77 | 32 |
| Revenue Growth (previous 12 months) | 3.7% | -1.7% |
| Service Revenue Growth (previous 12 months) | 6.1% | -2.9% |

Source: Aberdeen Group, May 2013. *The Rising Financial Impact of Customer Service.*

Conclusion

Customers have more choices available to them than ever before. This makes customer retention an enormous challenge for companies. For instance, in the financial world, disintermediation by upstarts such as Mint.com and PayPal is drawing customers away from traditional financial services companies²⁸. Meanwhile, new regulations in the U.K. have made it possible for bank customers to switch accounts to another bank in just one week²⁹.

Customer attrition can have an exponentially negative impact on business results. “When a company loses customers to its closest competitor, it not only suffers a revenue loss but its rival’s overall market position improves. Now, more than ever, customers have the ability to spread their discontent through social channels,” says Kraus.

In today’s socially powered business ecosystem, companies can gain or lose millions of dollars in revenues and profits based on the satisfaction of existing customers as well as the positive or negative feedback customers share with their peers.

Retaining and attracting customers has never been more critical. According to Bain & Company, a 5 percent increase in customer retention can lift profits by as much as 125 percent³⁰. Customer service represents a critical juncture in the customer-company relationship. Companies must break down the information silos that prevent employees from answering a customer’s query – wherever and whenever she may need the information and irrespective of the channel she may be using. Companies that are able to provide customers with easy and relevant support, wherever and whenever the customer chooses, endow themselves with **the power to engage**. Customers share volumes of information with companies, including data regarding their omnichannel behaviors, service preferences, and needs. The use of predictive analytics can enable agents to act on these insights to deliver a more intelligent and guided customer service experience. Arming agents and customers with the intelligence to resolve a problem in a straight-forward, intuitive fashion enables companies to deliver on **the power to simplify**.

Customer service leaders know all too well that stovepiped legacy systems and outdated processes aren’t capable of delivering on customers’ ever-changing needs and channel preferences. They need a new approach to servicing customers, one in which technologies can adapt to evolving customer behaviors and preferences. The status quo isn’t working. To move forward and support the 21st-century customer, companies require **the power to change**.

“We’ve found there are three common elements to succeeding in business today,” says Trefler. “Engaging and understanding customers; simplifying the customer experience; and drawing on the power of change through continuous innovation. This is what differentiates the companies that are able to maintain customer relationships and achieve sustainable performance.”

About Pegasystems

Pegasystems Build for Change® technology is the heart of better business software. It delivers business agility and empowers leading organizations to rapidly close execution gaps and seize new opportunities. Pegasystems is the recognized leader in business process management and is also ranked as a leader in customer relationship management software by leading industry analysts.

For more information, visit www.pegacom

About 1to1 Media

1to1® Media is dedicated to helping organizations across the globe realize the greatest value from their customer base. We provide resources that help senior executives to drive change and make customer-based initiatives the centerpiece of their growth strategy.

1to1 Media's custom publications explore the best practices, trends, and developments from companies that are using customer initiatives to drive bottom-line impact. Backed by Peppers & Rogers Group, the globally recognized leader in customer strategy and relationship marketing, 1to1 Media combines thought leadership, field experience, and editorial expertise to deliver the content needed by our audience of more than 130,000 decision-makers.

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