



Why all organizations
need a Customer Service
Strategy, now!

Few organizations have defined and quantified the importance of customer service to the organization. Although customers are at the core of commercial organizations - after all they pay our bills – a customer service strategy is not always available or recently updated. This while the world of customer service has fundamentally changed over the last decade and offers a number of opportunities to any organization in Business-to-Consumer (B2C), Business-to-Business (B2B) and Business-to-Employee (B2E) services. The traditional Call Center has moved towards a Contact Center and is increasingly claiming the position of a Relationship Service Center. The value of many organizations is in the relationship capital with customers. Now is the time to fundamentally rethink how to unlock this value and develop a customer service strategy, especially with recent developments using chatbots and voicebots running on generative AI.

“I firmly believe that if more companies made customers the top priority, the quality of corporate decision making would improve because thinking about the customer forces you to focus on improving your operations and the products and services you provide, rather than on spinning lines to shareholders.”

– Roger Martin (strategic thinker, Monitor Deloitte Alumnus)³



Insights in this article

- The value of many organizations is in the relationship capital with customers
- Customer services is being impacted by a number of factors which also reinforce each other
- Investing in customer service is an ‘offer you can’t refuse’
- Six opportunities are described which should be considered part of a customer service strategy
- The most fundamental question to address is ‘how important is services to our organization?’
- Three routes are described which can lead to a successful development of your customer strategy
- The most fundamental question to address is ‘how important is services to our organization?’

Six reasons why Customer Service is fundamentally changing

New technology, changing customer behavior and HR challenges are some of the fundamentals changing the way customer service is being provided and staged in the organization. Here are six reasons why.

01. Relationship value – Peter Drucker had it right when he said that the primary purpose of a business is to acquire and keep customers. However, in many mature industries (e.g. energy, telecom, financial) keeping customers seems to be the better investment of the two. In subscription based industries (e.g. Netflix or Software-as-a-Service (SaaS) based business models) Customer Success Management is a strategic department to ensure customers are capturing the value they are paying for. Multiple studies have shown that acquiring

new clients is five times more expensive than keeping an existing customer. In fact, just a 5% increase in customer retention can increase profit by at least 25%¹. In addition, over half of consumers state they are willing to spend up to 57% more on a brand that they are loyal to. Simply stated; the Customer Service department is sitting on a goldmine if handled carefully and... strategically.

02. Rising cost & complexity – A continuous focus on delighting the customer comes at a cost. Already in our 2019 Global Contact Center Survey we established that 53% of Contact Center Managers expect customer contact volume to increase over the coming years. In the same survey 62% of Contact Center Managers also express an expectation of the complexity of interactions to



“We don’t pour that delightful first cup of life-giving coffee and think, ‘I am the end user of this coffee.’”

– Amelia Dunlop⁴

increase². In combination a recipe for a cost explosion in customer service if no action is taken to fundamentally redesign these customer services.

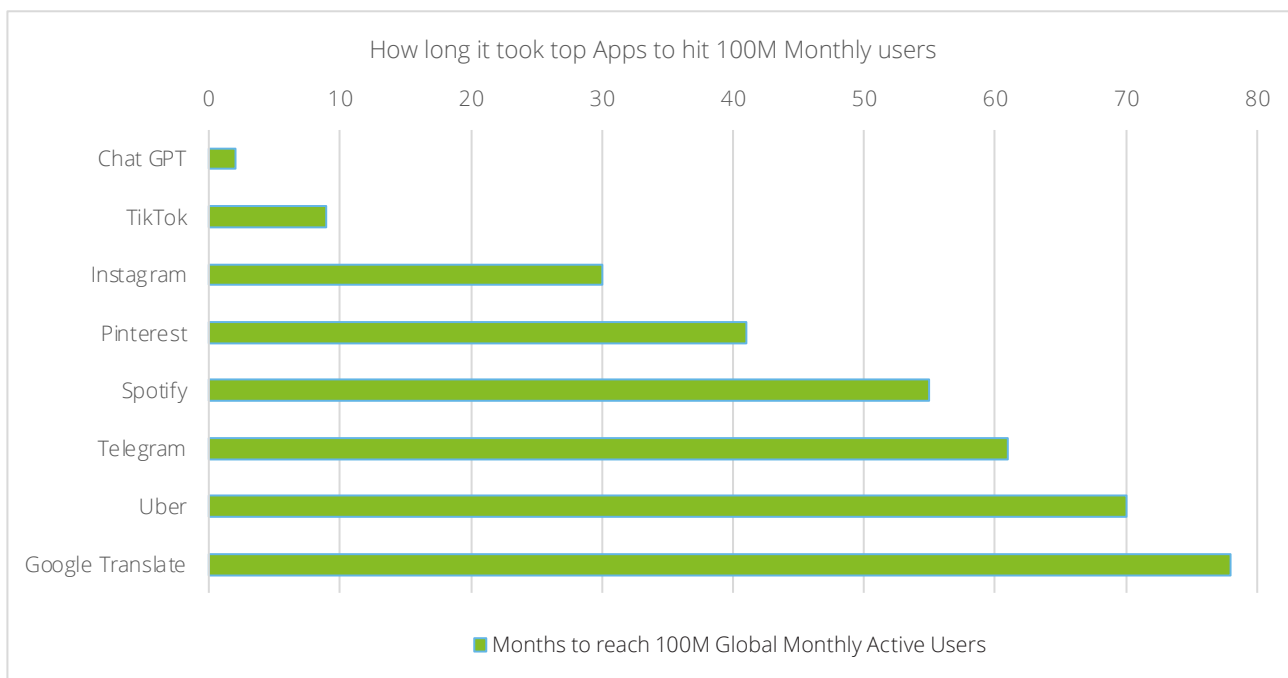
03. Customer Capitalism – During the Covid19 period organizations adopted their offering quickly to allow for digital servicing of customers. Customers have come to expect 7x24 hour service availability and frequently demanding an immediate answer to their question. A continuous focus on customer experience and innovation to delight the customers is what Roger Martin, one of the founders of Monitor Deloitte, calls ‘Customer Capitalism’.³

04. Human dimension – While some customer service contacts can be technology-led (e.g. self service) and handled with lower emotion, emotional moments that matter require an empathic human dimension. The latter dimension can be technology enabled e.g. via video chat, emotional recognition or augmented reality. More importantly, the customer service agent needs to get it ‘first time right’. Ending an emotional call with ‘we will call you back when we have an answer’ is not satisfactory and is likely to increase costs. Prioritizing where the human dimension matters most and investing in the customer service organization to deliver empathically and first time right is a strategic question.

05. People pressure – A study by the US Bureau of Labor Statistics estimates the average call center turnover rate is between 30 - 45% - at least twice the average turnover in other departments⁵. The reasons are clear; the job is typically seen as stressful and anxiety provoking while monotonous. There does not seem to be a career potential in customer service. The many temporary workers in customer service do not contribute to the

perceived importance of the service agent in the organization. A high turnover rate in combination with the tight labor market is a serious challenge to customer service operations. If one can find the right people, these also need to be equipped with the right tooling to deliver the desired Customer Experience. 55% of executives said, in a Harvard Business Review study that they believe it is impossible to provide great customer experience (CX) without providing great employee experience (EX).

06. Technology & Data (Generative AI!) – ChatGPT, the viral chatbot from OpenAI, sparked imagination at the end of 2022 by reaching over 100 million unique visitors in just two months after launching. By comparison, it took Instagram more than two years to reach a 100 million users and took TikTok nine months. Generative AI is a Machine Learning technique combined with NLP (natural-language processing) and NLU (natural-language understanding). Whereas NLP uses algorithms that try to understand language and conversation, NLU looks to understand context. We have gone from a couple of people talking at each other to a couple of people actually conversing with each other. In Customer Service Centers, AI can predict call volume and recommend staffing levels; it also predicts the emotional state of the person calling to support the service agent in demonstrating the appropriate level of empathy. There is a big demand for NLP and NLU currently for call summarization. This not only improves efficiency but also allows the organization to analytically identify on a large scale opportunities for strengthening the customer relationship. Generative AI will transform businesses and in particular the area of Customer Service. How to best benefit from these new techniques, how to ‘stage’ these in the organization and how to manage the risk properly is a strategic question.



Data source: UBS

There is no lack of opportunities

Investing in Customer Service is an opportunity you can't refuse: reducing (or containing) the cost base while increasing the customer experience. From multiple engagements by Deloitte working with Customer Service teams we have encountered six opportunities to be considered as part of the customer service strategy.

01. Channel Steering. Contrary to popular belief, organizations do not need to offer all available channels (e.g. call, e-mail, social, app, video-chat, webforms, in-store, self-service, post) to customers to be perceived as accessible and customer friendly. Each channel has a different value add and comes with a different cost level. Deloitte experience suggest that the customers age 18-34 respond best at app chat while customer age 70+ appreciate to interact with a Digital Human. Defining preferred channels for customer service encounters and customer segments allows the organization to focus investments in technology and people. Steering customers to those preferred channels requires consistency (and nudging) in communication across the customer journey. Including a channel focus as part of the service strategy pays off. We have supported a client with a successful brand promise on being 'accessible in a human way' where a reduction of 72% in phone calls was possible while strengthening the brand.

02. Abandon the IVR. In several call volume analyses we see volumes of up to 30% of internal re-routing of customer service calls. In terms of lean-six sigma this would be classified as 'waste'. In many cases call routing was done via the traditional IVR: "Press 1 for emergency, press 2 for support and press 3 for help". Applying generative AI enables organizations to triage the customer service request based on a conversation and forward this to the best possible contact. The triage can be staged via a chatbot but a voicebot can feel more natural. A simple conversation with the voicebot can lead the customer to the right contact. Much better than pressing 3 for help.

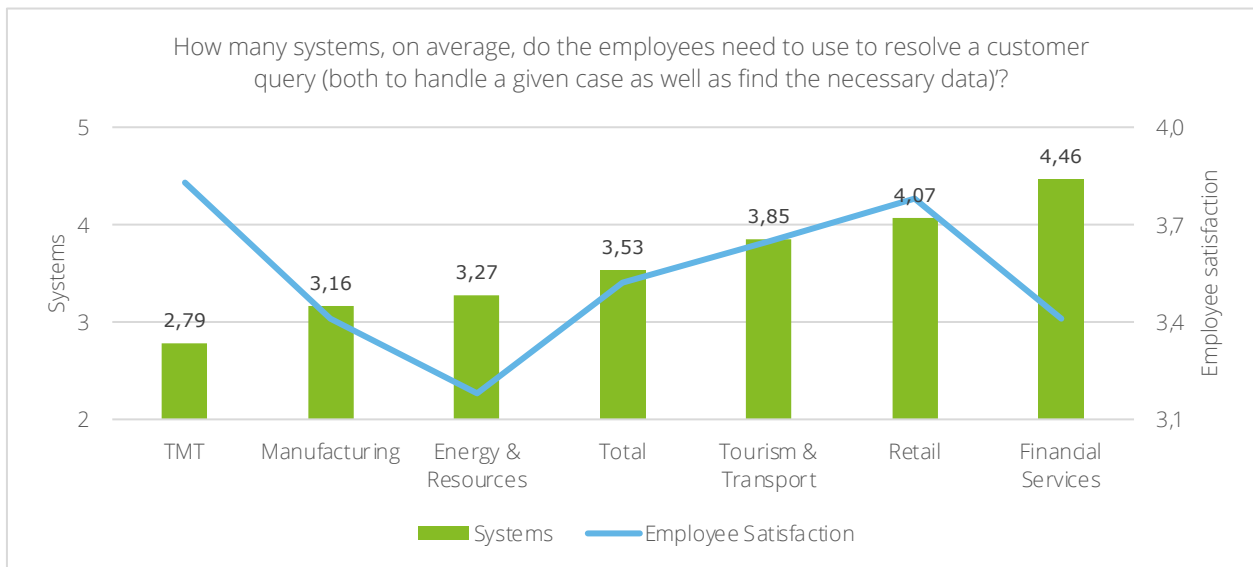
03. First time right. In the Deloitte customer service Excellence research 2022 we researched how many systems a service center agent needs to access to respond to a customer question. The answers ranged from 2,79 for the Telco and Media industry to 4,81 for Banks! To enable the service center agent to handle the service request in one conversation it is important to

- tailor the right and relevant information to the agent and
- make this information easily accessible
- train and incentivize the agent to accurately use the tooling and insights

Leveraging AI techniques from an Employee Experience design perspective can improve 'first time right' customer service delivery and as a result increase the NPS as well as reduce costs.

04. Better data, better insights, better operations. Generative AI can support service agents to document calls (e.g. via speech-to-text functionality) and summarize these calls. Some of these functionalities are as of 2023 available in CRM applications such as Salesforce®. On paper this provides for an excellent cost saving business case. A 2 minute saving in call handling per phone conversation can translate into over 300 hours/year saved time per agent. More important is the improved quality of the data recorded in the system. The automated call summary tends to deliver better quality and therefore insights into call reasons. These better insights enable the organization to better streamline the operations as well as provide input for new services.

05. New services. Engaging with customers and collecting better insights provides for an opportunity to define and offer additional value added services. These can be adjacent to the core product or

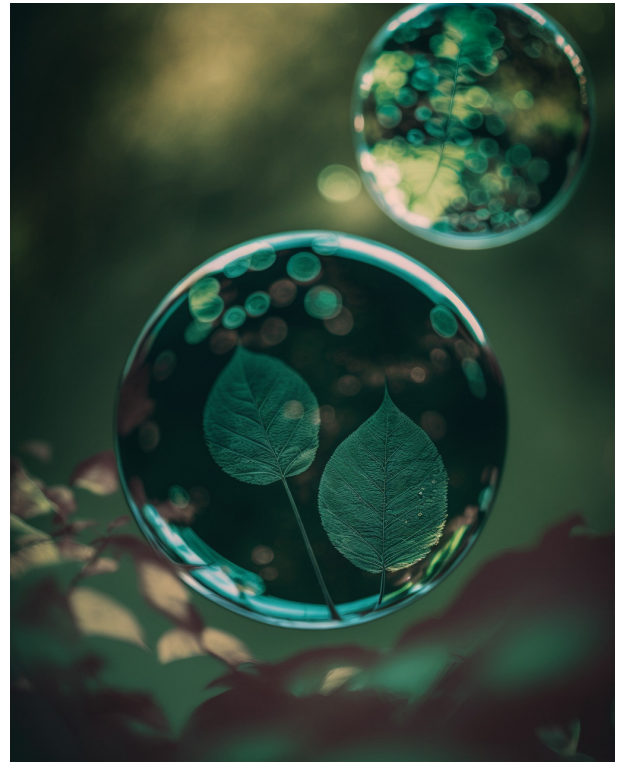


Data source: Deloitte Services Excellence Research 2022

the service itself can be ‘packaged’ as a new product. Home insurance customers which house is broken into will appreciate the service of a locksmith passing by. Medical facilities can offer the service of ‘Care at a distance’ and monitor health of patients at their own home. The opportunity of offering added value services comes in three steps

- Increasing customer engagement and customer contact frequency to strengthen the relationship
- Developing new added value (service) propositions for which customers are willing to pay
- Developing the capability of predicting opportunities and offering these to customers (Next Best Service or Next Best Action)

06. Scaling up the Service Center. Investments in customer service can only pay-out if the investment costs can be leveraged across larger contact volumes. Fortunately the service technology offered now allows for levels of flexibility. Scaling up the services organization can therefore deliver reinforcing benefits; a larger scale allows for investment in technology and people, these investments in turn reduce cost and increase value. More data and therefore insights can be gathered which in turn allows for additional value creation for the organization. Ride the wave of economies of scale in customer service centers frequently requires a rethinking of the service Target Operating Model.



How to set-up customer contact management for success?

The fundamental question to address in developing a service strategy is ‘how important is services to the organization?’. Answering this question will determine the need for a service strategy in the first place but also requires an understanding of the current value and set-up of services and the aspired role of services in the organization. The importance can be related to a number of value areas such as

- **Commercial Value** – What commercial value is created based on services (revenue, profitability)?
- **Customer Value** – What is the Customer Life Time Value (incl. cost) of our current customer base (CLTV)?
- **Experience Value** – What is the contribution of services to our overall proposition and customer experience (NPS, CES)?
- **Competitive Value** – How does customer service help us to differentiate versus competition (RepTrak, Brand Value)?

Next to identifying the importance of services in the organization, it is key to make strategic choices on where to differentiate in the customer service domain. Logical questions to ask are

01. What customers do we want serve? This requires an understanding

of the needs and behavior towards services of the current customer base and the opportunities in the market. The outcome of this question can be in terms of segmentation (e.g. agegroups), life events (e.g. baby born) or service categories (platinum and gold level)

02. Which service(s) do we want to offer and via which channel? Pending on the outcome of the first question this can also be rephrased as: How do we want to differentiate the service treatment to our customer base? Some services could be offered via ‘self-service app only’ because of its perceived transactional value (e.g. extending my subscription) while other services might be better served in person (e.g. tax advice). Key in answering this question is to have an understanding of the cost-to-serve per channel & service delivered as well as insights into the customer needs and behavior.

Making choices on the above will **challenge the organization on the implementation** with topics such as:

What technology do we choose to support our strategic choices?

- Do we want to obtain our service capabilities from cloud providers or have our own ServiceTech stack?

- Do we choose for low-code solutions and develop organizational capabilities of continuously building and improving the service technology or do we opt for ready-made software?
- Do we prefer a full suite of solutions such as CRM software (e.g. Salesforce, SAP, Microsoft) or do we opt for modular solutions for specific functionalities?

How to organize best? Defining the required sizing and structuring of the services organization as well as the required capabilities to be developed. In larger service organizations the strategic choices are reflected in a ‘Target Operating Model Design’.

What data to collect? Strategic choices on data are fundamental in delivering on the overall service strategy as they will relate to choices in IT, people and investments. The (im)possibilities of collecting and using data also come with potential risks in compliance (e.g. GDPR) and ethics (e.g. biased algorithms) which need to be carefully avoided.

Where to start in developing a Service Strategy?

The questions to address as part of a Service Strategy are fundamental in nature. Our experience suggest three approaches can lead to success.

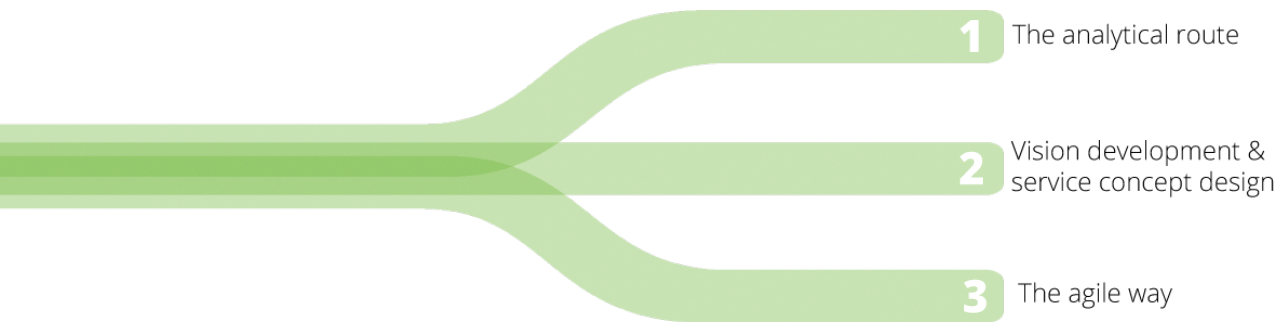
01. The analytical route – leverages insights in the customer service contact volume as a base for identifying opportunities. Establishing a baseline and mapping volumes and costs to call reasons, channels and propositions helps in understanding the (non) added value of the current service activities. Based on these insights a strategy for the aspired future can be developed and a strategic portfolio of initiatives developed.

02. Vision development & service concept design – ensures buy-in of the broader organization on the service strategy. Key stakeholders within the organization can be inspired by examples of the art-of-the-possible in customer service on the basis of which a vision for the organization is developed. The vision creates momentum for change. After establishing what the aspired future looks like initiatives can be identified to bring the organization towards the aspired future.

03. The Agile way – ‘start small and scale when succesful’.

After establishing a list of possible use cases, one use case is chosen to be developed and prove the results. The benefit of this approach is that the organization can learn ‘while doing’. By starting with one use case and expanding to other use cases as the organization learns, the Service Strategy is seemingly developed while experimenting. However, to safeguard focus and wisely spend investment euros a framework with strategic direction is required before developing the use cases. This framework provides guidance on how to prioritize the use cases, how to grow into the desired ServiceTech stack and how to scale when successful.

Making choices on areas to focus on for value creation is the essence of strategy. The value for most organizations is in the customer base. This brings customer service to the heart of strategy development in organizations.



End Notes

1. Is acquiring new customers more expensive than keeping them?, The European Business Review, 2021
2. Deloitte, 2019 Global Contact Center Survey
3. Roger L. Martin, The Age of Customer Capitalism, Harvard Business Review, January – February 2010 (<https://hbr.org/2010/01/the-age-of-customer-capitalism>)
4. Amelia Dunlop, Human Experience is Greater than customer experience, The Wall Street Journal – CMO Today, 2019 <https://deloitte.wsj.com/articles/human-experience-is-greater-than-customer-experience-01554685327>
5. United States Bureau of Labor Statistics, 2020
6. Making Customer Experience the heart of the enterprise, Harvard Business School Analytic Services, 2021
7. <https://www2.deloitte.com/hr/en/pages/deloitte-digital/articles/customer-service-excellence-2022-international-edition.html>
8. <https://www.salesforce.com/news/press-releases/2023/03/07/einstein-generative-ai/>
9. Imagine 2 minutes savings per phone conversation of a service center agent due to the call being documented and summarized automatically. With 5 calls an hour and a 40 hour workweek this is 346 hours a year per service agent.



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Recognition and Appreciation

This report would not be possible without the collaboration that results from working alongside colleagues on the front lines to understand the impact of these trends in the marketplace and how to embrace them to drive growth for the coming year. Thank you to the following:

Creative and Editorial: Charley Roelofs, Yuxin Fan

Graphics: All pictures are AI generated through Midjourney

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