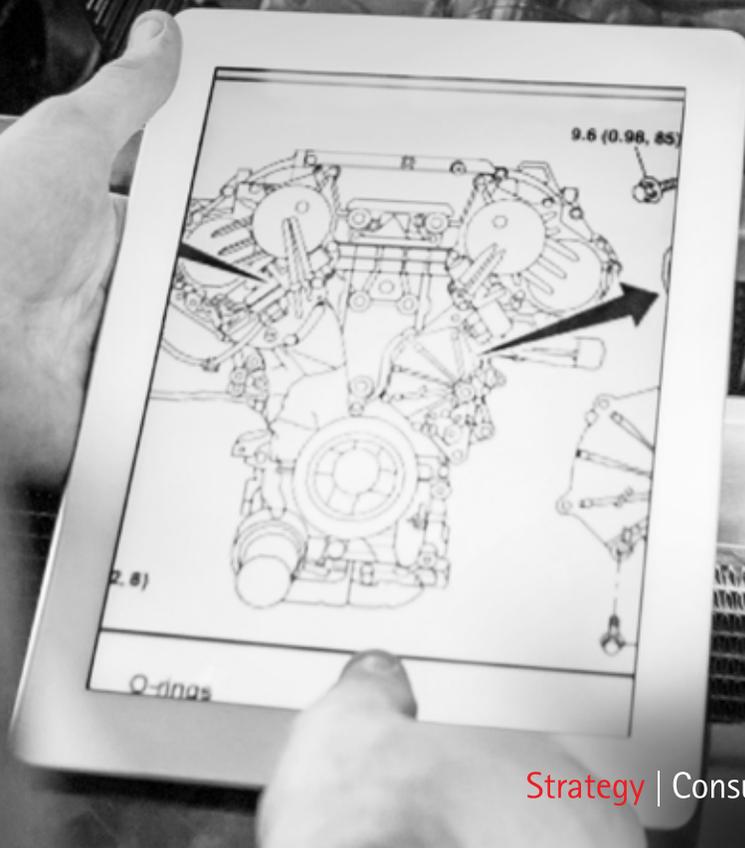# accenture strategy

Digital Service Operations
Learning to love the digital customer
by Rob Honts and Sven Drinkuth

High performance. Delivered.

Are your customers your secret weapon? They could be—if you gave them more control over their own service experiences. In today's digitally-driven markets, that rather startling proposition makes more and more sense—though embracing it will require companies to reimagine their service operations based on specific capabilities enabled by digital technologies.

The digital revolution has given customers more power over the buying process, and growing numbers are exercising their power to make or break brands. The business landscape is littered with corporate casualties of the customer's flight to a non-stop experience: the fast, consistent, personalized service that more agile, digitally-enabled businesses can offer so readily, but which most traditional companies, including many market leaders, still struggle to provide.

Many such casualties have been B2C. But as their customers gain more digital traction, B2B companies are increasingly in the line of fire. Most still fear digitally-empowered customers and the disruption they cause. However, a far-sighted few are starting to recognize that their customers constitute a significant asset in the quest for competitive advantage in a digital age.

These pioneering players have not only embraced customers as collaborators—they're actually encouraging them to take even more power. Why? Because they recognize that it's the key to attracting even more customers, and to deepening their loyalty. The focus of their efforts: the after-sales service operations space, where demands for a rapid, consistent, yet customized experience throughout the service lifecycle are intensifying.

More power to the customer

Like it or not, customer-centricity is here—and it's putting customer loyalty up for grabs as never before. Digitally-empowered customers will defect at the slightest hint of a service issue. In 2014, fully two-thirds switched providers in at least one industry because of poor service. Only one-quarter say they would willingly recommend their traditional provider.[1]
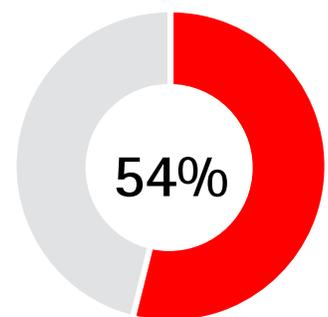
Research also suggests that customers have plenty to complain about. Almost 80 percent say their providers can't offer the tailored service experience they want, 64 percent receive inconsistent offers across channels and 54 percent express frustration with being exposed to different experiences or treatments when using different channels.[2]

80%
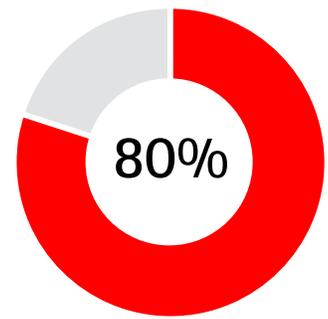
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64%
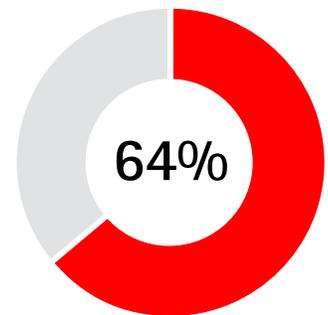
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54%

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In B2C, leading players have responded to these demands by helping their customers build online communities, leading groups on social media, and taking on new roles to improve service. Consider, for example, how the UK telecommunications giant BT incorporates customer feedback via online forums and social media to improve its customer service and lower the costs of providing it.[3]

Similar efforts are multiplying across both B2B and B2C. Dell, for instance, has embraced digital customers by inviting them to collaborate in improving their own service experience. The company has refined its IdeaStorm platform—which originally launched as an online suggestion box—into a sophisticated interactive site that leverages the power of social media to incorporate diverse sources of customer service know-how, thereby blurring the line between employees and customers. Customers can even take leadership roles in shaping and managing the forum.[4]

Elevator maker ThyssenKrupp, meanwhile, is involving its customers in their own service experience by integrating with their installed equipment. From a call center in Seoul, South Korea, the company can share a real-time view of installed base, technical and customer order data with field technicians worldwide. Thanks to this machine learning service, elevators can actually teach technicians how to fix them.[5]

Has mass customization finally arrived?

Mass customization—providing tailored products and services automatically, dynamically, and forensically, while keeping unit costs low—has long been the Holy Grail for businesses. And back in the 1990s, thanks to sophisticated shop-floor technologies and new tools including Flexible Manufacturing Systems (FMS), some thought they'd found it.

But they were disappointed: The direct relationship between cost and customization proved too powerful for the technologies of the time to overcome. Digital, however, has cracked the conundrum. Providers in the service operations space are leveraging new digital tools and platforms that offer multiple engagement options for customer service to deliver individualized experiences on a mass scale at relatively low cost.

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By tracking purchasing behavior and remembering personal preferences, these tools and platforms help providers respond faster and more effectively to an individual customer's demands.

Appointments with technicians can now be booked online within a time-banded window of two hours or less, for example. Bank of America is among companies that use Twitter to respond to customer issues within a similar timeframe, and private messaging to exchange personal data directly with the customer.[6] Dell analyzes trends in user search topics and dynamically generates quick links to relevant content that it sends to customers during technical support chat sessions.[7] And the cosmetics company Sephora has become the envy of its competitors by using its app to draw a near-impenetrable army of loyal customers into retail locations where sales assistants who know their personal purchasing histories can guide them to appropriate products— both old and new.[8]

Put your legacy infrastructure out to pasture

It's plainly time to consider building new, digitally-enabled service platforms, and research shows that 35 percent of business and IT executives are already experimenting with them, with 60 percent seeing a positive ROI from their investments.[9]

Crucially, however, platforms need to be more than mere portals, transaction engines or business intelligence (BI) tools. They should create an implicit competitive advantage with digital customers by persuading them to engage—and then locking them in by delivering a compelling, tailored experience that reduces the urge to switch.

Four different types of platforms with new capabilities that are more sophisticated and effective than legacy tools are emerging: we call them predictive, descriptive, controlling and engaging. Used either singly or in combination, they clearly differentiate the potential winners from the also-rans.

35%
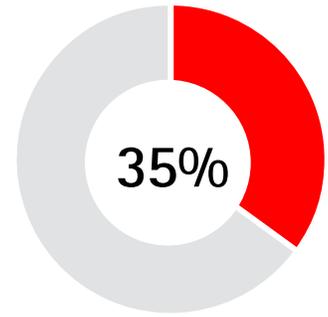
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60%
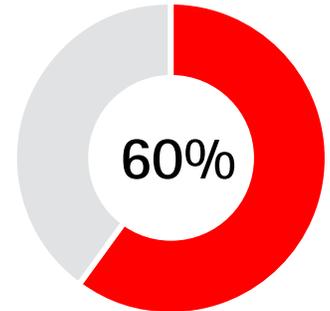
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1. Predictive: Predictive tools work by coupling powerful forecasting algorithms with advanced analytics to calculate the probability that future events, such as a parts failure, may occur. By applying an advanced forecasting tool and causal analytics to the warranty data it gets from dealers, one leading agricultural equipment maker has significantly improved its ability to identify systemic component failures—thus greatly reducing the cost, liability and customer impact arising from emerging issues.

2. Descriptive: Descriptive platforms allow for the large-scale management and manipulation of advanced data sets—a capability that was previously impossible. The data is often collected in real-time from a wide service network and presented in consolidated fashion to support decision-making. Caterpillar has built a telematics solution that allows its customers to monitor their fleet in real time, identify maintenance needs swiftly, and replace parts fast. It collects a vast amount of real-time data from machines, which proves invaluable in optimizing such resources as capacity, fuel and operators.[10]

3. Controlling: Controlling tools allow the service provider to interact remotely with (and even control) customer equipment installed in the field. This enables diagnosis and fault resolution from a distant location, thus avoiding the cost of dispatching parts and technicians. Rio Tinto, the global mining operator, has deployed an infrastructure that enables remote operation of autonomous mining equipment from a "command center" to improve worker safety, productivity and quality of life.[11]

4. Engaging: Engaging platforms focus on delivering an experience that immerses the customer in such a way that they are positively engaged as they consume the service. With sufficient positive engagement, customer loyalty increases and the desire to switch decreases. Magneti Marelli, which makes automotive components and systems, is developing a suite of digital entertainment and communication solutions and services—GPS navigation, entertainment, vehicle security, and diagnostic systems—designed to deliver a driver-specific, on-board experience in a wide range of vehicles; effectively turning those vehicles into second homes.[12]

Getting started

Transforming legacy service operations into dynamic, scalable and connected infrastructures that can attract and retain the digital customer will, of course, take time. But there are steps you can take now to help secure your future success:

1. Develop a customer service strategy that embraces disruptive digital customers. Translate the chaos they threaten into a set of meaningful requirements that are unique to the customers you serve. Truly listen to what they are telling you.

2. Figure out how you can put the digital customer in charge. Examine the touch points of the service lifecycle and identify where the customer can play a larger, and even all-encompassing role. Make the customer an integral part of the service production process.

3. Ruthlessly critique your current capabilities by applying digital benchmarking tools and translating those gaps into a new, digitally-focused operating model. Build and obsessively make better the few, critical capabilities that you can do better than anyone else in the marketplace.

4. Pilot new ideas rapidly. But don't launch too many programs. Swiftly discard those that fail—and scale those with promise. Abandon the old, formulaic and planning-heavy approach to strategy formulation in favor of a more agile and rapid approach.

Today's digitally-empowered customers are already serving themselves: from checking real-time product availability, to self-directed appointment booking, to remote issue resolution. If businesses don't recognize this burgeoning power—and harness it to their advantage through new digital service operations— they risk falling into an irreversible death spiral as digital customers grow to critical mass in their markets, and competitors with smarter, "stickier" service experiences lure them away.
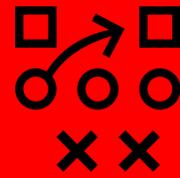
Develop a customer service strategy

Put the digital customer in charge

Critique current capabilities

Pilot new ideas rapidly

Join the conversation
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Notes

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[3] Institute of Practitioners in Marketing, The Marketing Society and MRS. "BT Customer Services: Social media helped BT improve service and cut costs." MRS, 2014.

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