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Winning the expectations game in customer care

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Call centers aren't what they used to be. Here's how to capture the loyalty of increasingly demanding customers.

The customer, so the saying goes, is always right—and these days it's increasingly evident that customers don't hesitate to flaunt their power. Assisted by technology, they wield unprecedented influence over the purchase of goods and services, as well as the ongoing care from the companies that offer them. Customers want service *now*: experiences marked by immediacy, personalization, and convenience. When they don't receive it, substantial numbers defect, often after just one bad customer experience.[1]

This rising bar of customer expectations has significant implications for customer-care organizations in all regions and sectors. As channels—in-person visits, telephone calls, web contacts, and mobile platforms—proliferate, customers are demanding seamless and consistent service in all of them, not to mention human interaction and security for personal information.

In short, this added power is posing novel challenges for managers as a new era unfolds. We believe that customer care will change dramatically in coming years around two key dimensions: first, understanding the evolving value and complexity of transactions and, second, choosing the right level of human interaction and automation for superior service.

To explore these trends, we undertook a research effort surveying customer-care leaders on the front lines.[2] Among our key findings:

- *Inbound transaction calls will decline significantly* or be eliminated entirely, as many expect, and care will move toward ever-higher levels of customization.

- *New-age Internet robots and virtual assistants will serve as gatekeepers* for critical channels, such as chat, voice, and automated interactive-voice-response systems (IVRs).

- *Focused investments will be needed to improve the skills of customer-care workers* in both service and sales and to hire new ones who can handle increasingly complex interactions.

- *The demand for higher-end personal experiences* will force companies to determine which levels of customized care they want to provide and whether to provide them in-house or through outsourcing.

- *Technology-investment choices will be critical* as managers navigate the new products now proliferating and balance costs against scalability and implementation speed.

These changes will shake up traditional customer care. As they take root, we see simple call centers evolving into hubs where companies manage the overall customer experience. The number of online customer touchpoints will continue to increase, as will the number of automated resolutions. The volume of live customer interactions should remain steady in the near term, but they will be of longer duration and greater complexity. They will take on new importance as unique and critical opportunities to provide distinctive customer service, to build best-in-class customer-satisfaction capabilities, and to uncover future sales opportunities.

To that end, customer-care groups will become increasingly important profit pools, strategic assets—or both—for organizations that can select the right digital customer-service tools, invest in and build the skills to customize interactions, and provide the personal touch in a digitally efficient way. A systematic framework can help managers segment customers by their needs and relative value and help bridge these competing demands. Yet while nearly all of the 50 customer-care leaders we approached in our research largely shared this view of the future, just 20 said they felt well prepared to meet future priorities.

A shifting landscape

We believe that the wave of change already under way will fundamentally reshape customer care in the long term: for example, there will be greater use of machine-learning software, which can already identify issues and solve some problems of customers without any human interaction at all. Over time, this will reduce the number of inbound calls not just for transactional service but also for technical support and other complex matters.

In this article, we examine the core themes our research unearthed and provide recommendations to help companies build an early competitive advantage in this new environment.

Inbound calls will decline in number or be eliminated entirely for certain types of calls or transactional activities

Automation is rapidly changing the requirements of traditional call centers. In our survey, nearly three out of five customer-care leaders said that inbound-call volumes will decrease in the next five years. Within ten years, 40 percent said, the number of inbound customer-care calls will fall significantly, perhaps to zero.

Meanwhile, more and more executives are becoming aware of the competitive advantages of a superior customer experience. Enterprises are therefore adopting service designs that not only emphasize simplicity and lower costs but also reduce the need to service low-value calls (or low-value transactional activities) through higher-cost customer-care channels.

For example, the insurer USAA's visual IVR system (with voice recognition) already provides transactional services, better routing, and one-touch Internet-based calls with agents. Live video chat is available through desktop or laptop devices. Similarly, activating a new credit card no longer requires an in-person call to a customer-care agent. And large credit-card organizations use apps to alert customers and verify possibly fraudulent transactions proactively.

Digital-care channels will be the future starting point for most customer-care interactions

Our survey respondents said that in 2015, digital-care channels (such as web chat, social media, and email) accounted for 30 percent of all their customer-care interactions. By 2020, they believe, that share will grow to 48 percent. (Two airline executives we interviewed in our research put that proportion as high as 80 percent in their own industry.) One reason: the growing number of "digital natives" who grew up communicating over the Internet and expect digital care. As one executive says, "customers are demanding it."

Organizations will therefore go on moving forcefully to service and resolve their customers' low-value transactions, inquiries, and problems through digital channels, including Internet robots, or "bots." A few companies, for example, are taking the lead in using Facebook's instant-messaging service as the interface with chat bots that respond to users in the background. One of these companies, Uber, lets users book rides through Facebook Messenger. Another, Expedia, uses a bot to field questions about travel dates and destinations.

Over time and across industries, all such interactions will take place through digital channels. With the evolution of new-age bots and virtual assistants focused on chat, such channels are poised to become the gateway and triage medium for all of today's live telephone contacts. Apps on mobile devices already provide virtual assistants to navigate and recommend self-service options or to route customers directly to the right agent queue.

Large investments will be required to improve the skills of customer-care workers to meet changing consumer needs and call types

As transactional calls move to digital channels, more complex interactions—many emphasizing service-to-sales activities—will account for the largest share of volume in traditional call centers. Customer-care executives will have to develop smaller teams of

more highly skilled agents. Most of the leaders we surveyed expect automation to replace not only more transactional interactions but also about 25 percent of the activities of even exceptional customer-engagement agents. Companies are already beginning to bypass customer-care channels and directly route more complex technical issues to engineering and product groups, especially for cloud-based computing, such as Amazon Web Services.

This trend will require highly skilled agents to provide superior customer service for more complex and valuable transactions. The majority of the customer-care leaders we approached do not believe that their companies have the frontline skills or leadership talent to meet these changing customer needs. Large investments will probably be required to fill the skills gap.

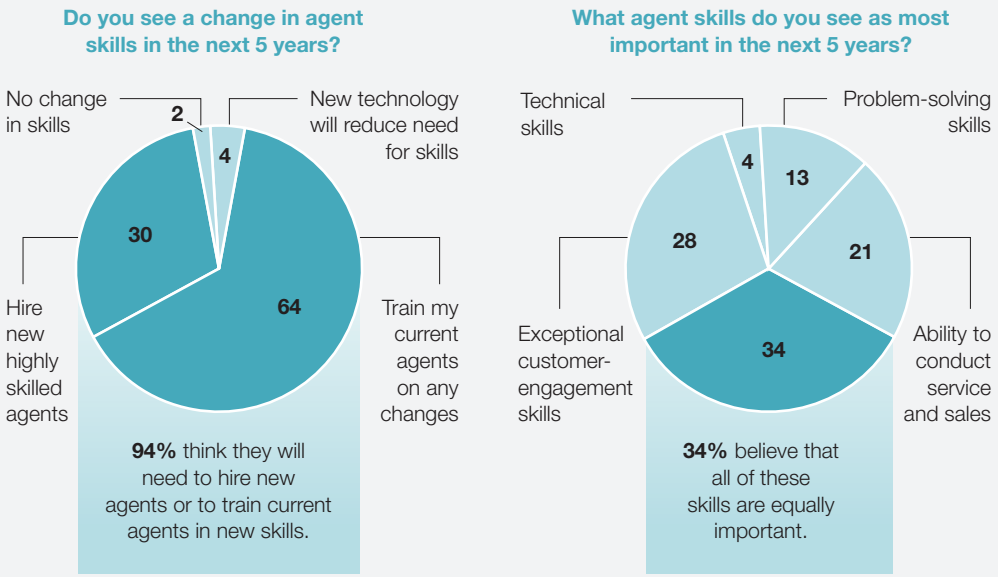
Of our sample of practitioners, a majority said that to meet the need for agents with novel capabilities, it would be necessary to hire new employees or train current ones rather than rely on technology (Exhibit 1). The most pervasive training-related sentiment was the need to develop both service and sales capabilities simultaneously—a departure from the two roles' largely separate profiles today. These leaders also highlighted the importance of adding technical and problem-solving skills to help agents resolve issues on the initial call or with the fewest transactions possible.

Higher-end customized experiences will require companies to rethink how they connect with customers

As customer-care leaders shift their priorities from lower-skill cost centers to higher-skill

Exhibit 1 **Customer-care leaders expect a shift in the talent that call centers require, along with a larger scope for automation.**

Respondents,[1] %



[1] The online survey was conducted with ~50 customer-care executives between March 29 and May 27, 2016, and complemented by in-person interviews. The participants included customer-care leaders from multiple industries and geographies.

Source: McKinsey analysis

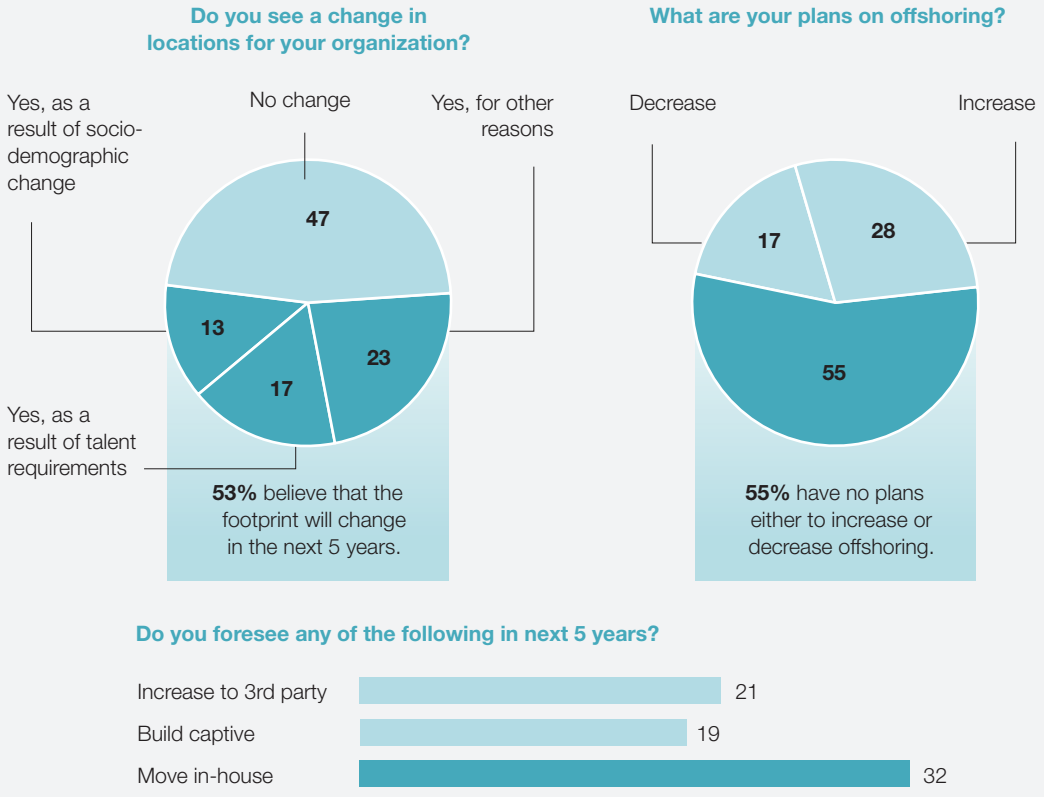
profit centers, the creation of value through customer care will change. The facilities of the future will emphasize securing the lasting loyalty of customers by enhancing their experience and by cross-selling products and services. To that end, executives are already reconfiguring traditional customer-care setups to support live-interaction channels like video and augmented reality. Amazon has been at the forefront of this trend: its Mayday service allows users to see, with a single click, remote technical-support representatives who help fix problems on tablets.

Executives are also rethinking outsourcing's role, in their efforts to build customized capabilities—many are considering a shift back to in-house support. More than a third of our sample of customer-care practitioners say they have already invested (or are eager to invest) in video. About half say they will rethink their locations, given changes in talent, socio-demographics, and service offerings. Just two in ten think that the offshoring of customer-care activities will decrease. Three in ten are considering bringing part of their customer-care operations in-house to maintain greater control over customization (Exhibit 2).

Exhibit 2

More than 50 percent of customer-care leaders expect the footprint to change in the next five years.

Respondents,[1] %



[1] The online survey was conducted with ~50 customer-care executives between March 29 and May 27, 2016, and complemented by in-person interviews. The participants included customer-care leaders from multiple industries and geographies.

Source: McKinsey analysis

As new technology providers flood the customer-care space, companies that choose among them wisely will gain an advantage

Customer-care leaders acknowledge the changing technology landscape and the need for more tech investments to support a longer-term strategic vision. Nearly half of the executives we surveyed rated investing in new technologies as one of their top priorities over the next five years (Exhibit 3).

The following emerging technology areas are likely to become prominent:

- *behavioral routing software* that matches call-center agents with customers by personality and behavioral characteristics
- *artificial-intelligence agents*, powered by advanced machine-learning methods, that customers can query—without human intervention
- *visualization technologies* that permit enhanced interaction between live agents and customers

Most of these leaders, finding themselves swept up in a surge of new customer-experience technologies, are often paralyzed when forced to choose. Two-thirds of our respondents said they were not prepared to invest in new technologies, because they lack a clear strategy and think that such investments would not have an impact in less than 12 months.

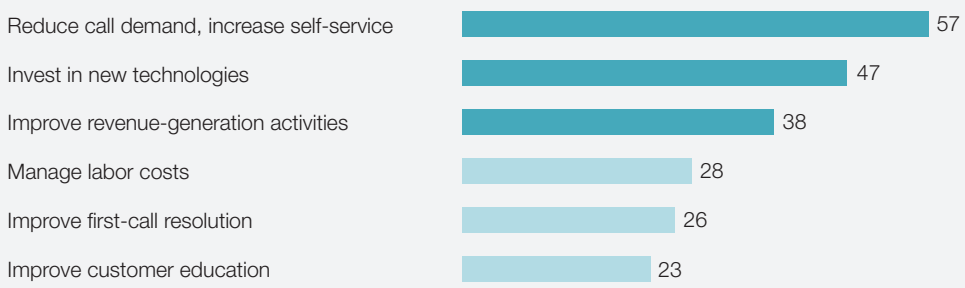
That said, with so many new entrants in this technology marketplace, companies that align their purchases with their customer-care strategy could quickly upgrade their digital profiles and capabilities. Leading organizations begin by developing a distinctive goal and improving their most important customer journeys. They then design supporting processes to manage expectations for wait times, resolution times, service limits, and the like while also fostering a service culture to emphasize high-quality touchpoints.

Customer-care executives, under pressure to demonstrate value from their investments, view ease of implementation and the ability to generate

Exhibit 3 **Investing in new technologies is a top priority for almost half of customer-care leaders.**

Respondents,[1] %

What are the top 3 customer-care priorities for your organization in the next 5 years?



[1] The online survey was conducted with ~50 customer-care executives between March 29 and May 27, 2016, and complemented by in-person interviews. The participants included customer-care leaders from multiple industries and geographies.

Source: McKinsey analysis

an impact quickly as key decision factors. The proliferation of new customer-care technologies and the availability of cloud computing have dramatically accelerated implementation timelines: instead of traditional step-by-step design-and-build solutions that might take years to implement, leaders can mount rapid process-digitization efforts[3] and adopt a new breed of quickly scalable and modular "plug and play" technologies. These can not only deliver results in less than 12 months but also be adapted to the specific needs of an organization's customers.

More broadly, we find from our experience that customer-care leaders need to innovate quickly. In traditional industries, they often focus on day-to-day execution and are therefore slow to adopt and evolve new technologies and delivery models. Digital-native companies frequently leapfrog through innovation with lighter, scalable, and fast technology deployments that involve few if any physical facilities. They are setting a new bar for all customers—and their expectations.

Navigating a new customer-care landscape

As these new forces emerge, customer care will move from today's one-size-fits-all model to an increasingly customized one based on organizational design, specific customer preferences, or even transaction types. To maximize the competitive advantage that superior care offers, leading organizations will increase their customers' satisfaction uniformly across all interactions and channels.

Needed: A new structure

The immediate challenge for customer-care executives is to reorient their businesses away from a singular focus on day-to-day operations and cost cutting and toward anticipating evolving customer expectations and providing a portfolio of tailored interaction models to meet them. For too many customer-care players, the one-size-fits-all approach does not balance two core dimensions we believe will mark the new era: the value and complexity of transactions and the right levels of human interaction and automation. When customers choose their preferred care channel, for example, they increasingly gauge a transaction's complexity, decisively preferring self-service options for relatively simply ones. Enterprises must decide on the appropriate level of care for a wide range of interactions by taking into account their customers' channel preferences and factoring in their opportunities to manage costs by applying automation.

The immediate challenge for customer-care executives is to reorient their business away from a singular focus on day-to-day operations and cost cutting and toward anticipating evolving customer expectations and providing a portfolio of tailored interaction models to meet them.

A framework built around these transaction and interaction dimensions can help companies create a better channel approach for shaping their customer-care strategy (Exhibit 4). Mapping interactions with customers by value, complexity, and the need for employee involvement can help managers begin to compile a better mix of customer-care responses built around strategic goals. A comprehensive assessment of digital and live channels and customer journeys can then identify gaps and breakpoints. The result: a clearer focus on serving customers in the high-value, high-complexity categories and on digitizing and automating low-complexity interactions.

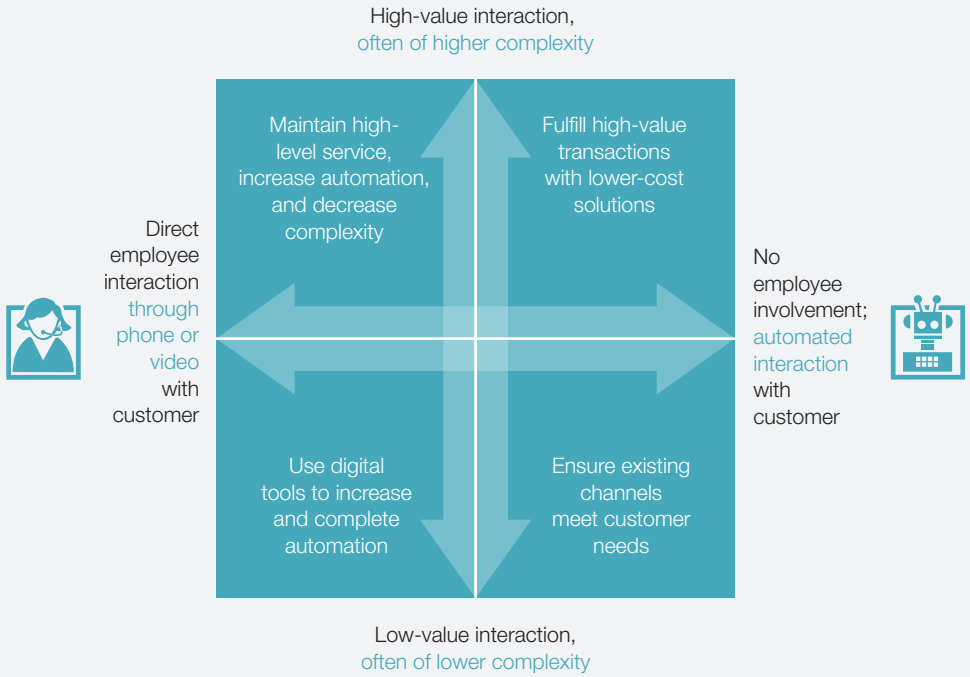
With such a road map in hand, customer-care leaders can more effectively coordinate their strategy with their efforts to assess and invest in new technologies and to determine the right skills and training for frontline workers.

Transforming archetypes

By combining new approaches to technology with a more structured approach to types of transactions and levels of interaction, even slow adopters can transform customer care. Exhibit 5 shows how applying digital tools at an integrated telecommunications company could transform three archetypes of interactions: bill payment, technical support, and the creation of new accounts.

Exhibit 4 **In the future, customer-care organizations will balance personal interactions with automation.**

Service description by segment



Source: McKinsey analysis

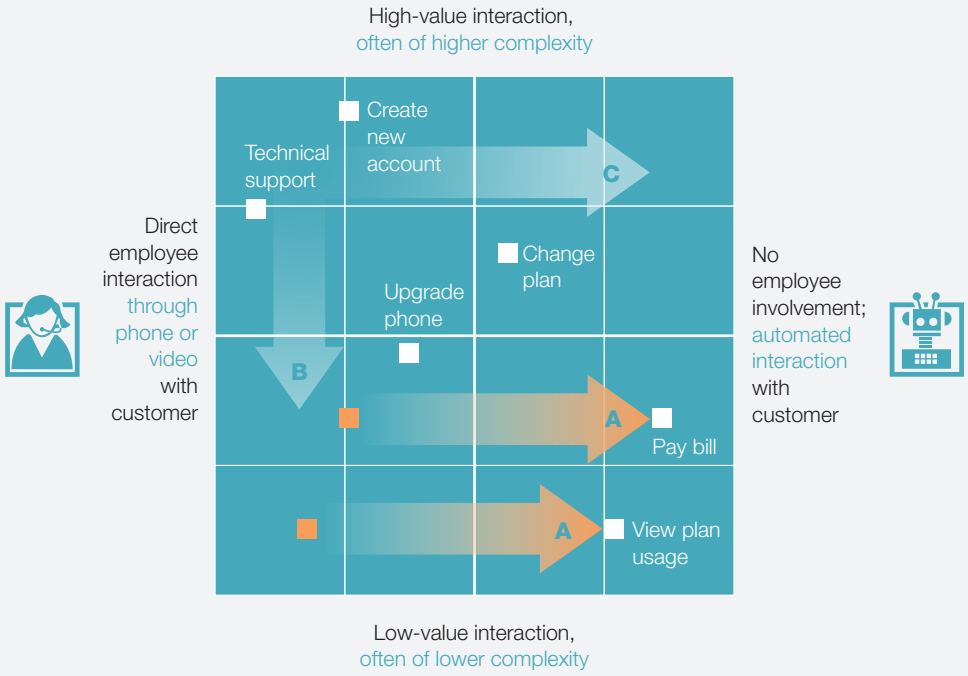
Completely automating low-complexity transactions. Digital tools will make it possible to digitize and automate simple transactions in a more integrated way. Bill payment, for example, is currently a low-complexity transaction often conducted over multiple channels on electronic-care platforms whose design and billing structures often confuse customers.

It's possible to envision bill payment changing in three areas. First, e-care apps will become simpler to use, benefiting from better designs to ensure that low-complexity transactions can be converted, end to end, in one channel. Second, innovations on mobile-payment platforms (such as Apple Pay) will simplify the customer experience. Finally, artificial intelligence will become more prevalent and useful in answering bill-related questions and explaining charges in both digital and telephone channels.

Integrating digital tools into more complex transactions. Video chat, assistive artificial intelligence, and other digital tools will help make previously high-touch and very complex transactions less complex. Meanwhile, customer-

Exhibit 5 **Technology trends in customer care will enable high-complexity, low-automation tasks to be more automated or less complex.**

Illustrative example: Integrated telecommunications company



A. Previous trends have focused on automating low-complexity transactions and giving customers convenient channels for completing them.

B. Digital tools can also make transactions less complex while maintaining increased value (eg, reducing number of touchpoints necessary for electronic signing).

C. Digital tools will also enable automation of increasingly complex transactions.

Source: McKinsey analysis

support agents should be armed with new skills and tools to allow a seamless customer transition from digital to live support channels. Live agents, for example, should already know the customer's failures and breakpoints in those channels before starting to solve a problem, as well as being able to leverage advanced authentication methods like voice recognition to further ease the customer's transition to live support.

Live support transactions are often complex and require specific levels of expertise. In the future, three trends will have an impact on such interactions. The use of new media, such as screen sharing and video chat, will bridge the gap between users and agents, so problems will be resolved more quickly. Applying Internet of Things technology to extract data from devices and detect problems proactively should help. The use of assistive artificial intelligence will let customer-support agents easily navigate and aid discussions to suggest solutions. Google, for instance, is experimenting with its Google Assistant artificial-intelligence program to join conversations, offer predictive responses, and conduct simple tasks (such as looking at calendars).

Using digital tools to automate highly complex transactions. Smarter artificial-intelligence tools will help companies automate more complex transactions more fully. Currently, for instance, opening a new account often requires much human interaction to validate documents and explain benefits. In several ways, technology is changing the way this kind of transaction will take shape. First, simplified products, with more customer-friendly designs, will make it easier to understand account features. Assistive artificial-intelligence agents will answer questions and help consumers navigate product features.

As customer care moves from a one-size-fits-all approach to ever more customization, the stakes for managing this rapid change are rising. Companies that balance the evolving value and complexity of transactions with the right levels of human interaction and automation stand to gain a durable competitive advantage.

[1] See Ewan Duncan, Harald Fanderl,Nicolas Maechler, and Kevin Neher, "Introduction," *Customer experience: Creating value through transforming customer journeys,* Winter 2016, McKinsey.com.

[2] The online survey was conducted with about 50 customer-care executives between March 29 and May 27, 2016, and complemented by in-person interviews. The participants included customer-care leaders from multiple industries and geographies.

[3] Line Hartvig Müller, Andrea Peyracchia, and Vik Sohoni, "Using rapid process digitization to transform the customer experience," March 2016, McKinsey.com.

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