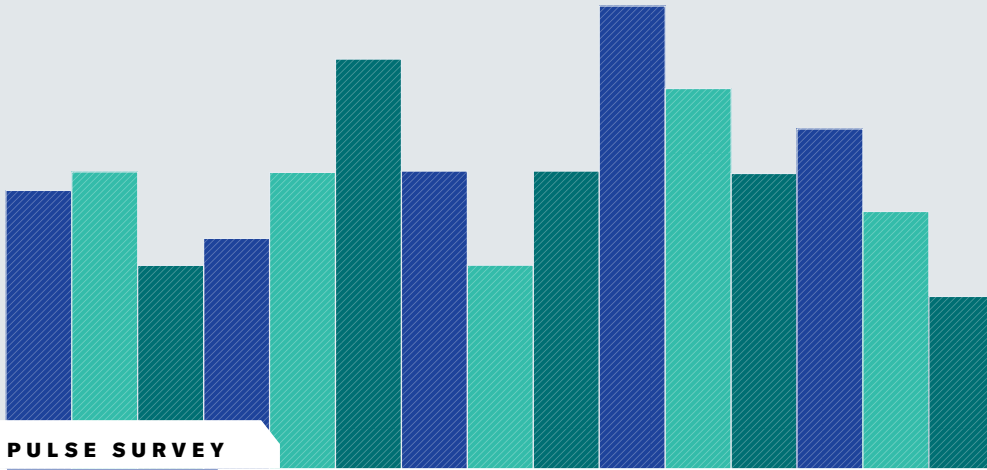Harvard
Business
Review

ANALYTIC SERVICES

Elevating the Value of Customer Service through a Data-Driven Approach

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Is your customer service making— or breaking—your brand?

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Contrary to popular belief, customer service isn't a one-time thing. It's not a box to be checked, or an item to shelve upon completion. At least it shouldn't be. Where before businesses could hold customers hostage due to limited options, everything as a service has turned things upside down through a proliferation of choice.

With competition at an all-time high and economic uncertainty causing both consumers and businesses to be more mindful of every penny spent, at Coveo we believe that service is a prime opportunity for enterprise differentiation. Many business leaders are beginning to view the contact center, and customer service overall, as a key lever to drive business growth. This is reflected in this Coveo-sponsored report on the state of customer service.

Yet few businesses excel at this critical touchpoint. Why is that?

Many companies claim to be "customer centric." Yet when their customers are polled for their opinions, disconnects become apparent. True customer service that begets satisfaction and loyalty requires listening to the audience the business is courting. It's about understanding and speaking to their unique pain points and providing a tailored solution that fits like a glove. And doing so immediately.

The reality is, customers are providing all kinds of signals. Companies just need to learn how to listen.

This report digs into the misconceptions and challenges business leaders are facing when it comes to digital interactions. Past generations have perceived digital as impersonal, but this is far from the case. Here at Coveo, we've helped many clients create two-way streets with their customers through leveraging extensive user data and context in an automated fashion to deliver the most relevant answers, recommendations, and overall personalized experiences.

The good news is that businesses already have all the data they need to get started. There are numerous tools on the market to help make this happen, including those that don't require an organization to rip and replace their legacy technology. And indeed, this value-driven approach will drive revenue too.

The important nuance to keep in mind is that creating a great customer service experience is not black and white; it's not about choosing between a human-staffed contact center and a digital-only self-service platform. Instead, a focus on balancing self-service and assisted support is needed. This report outlines a path toward achieving this balance and growing your business even through difficulty and uncertainty.

Elevating the Value of Customer Service through a Data-Driven Approach

The customer service experience is one of the most critical interactions for a company—a clear and present opportunity to solidify the relationship. Customer support is a make-or-break opportunity for any brand. With every interaction across any touchpoint, that service experience is a chance to increase the value of customer service and enhance business outcomes.

Ninety-four percent of the 252 respondents surveyed by Harvard Business Review Analytic Services in November 2022 at organizations around the globe agree that the quality of customer service an organization provides impacts its bottom line. They also acknowledge that the quality of customer service has a direct impact on key performance metrics, with 94% agreeing it is critical to ensuring customer satisfaction and 91% agreeing it is critical to ensuring customer retention.

"Customer service can make or break the entire experience," says Blake Morgan, customer service consultant, adjunct professor at Rutgers University, and author of *More Is More: How the Best Companies Work Harder and Go Farther to Create Knock-Your-Socks-Off Customer Experiences* and *The Customer of the Future: 10 Guiding Principles for Winning Tomorrow's Business*. "It isn't just a box to check but plays an integral role in how a customer views a brand, their loyalty, and ultimately the growth and reputation of the company. Since the pandemic, customers have become less loyal. Brands are starting to realize they have to put more effort into customer service to get customers to stay. Companies recognize that they have an incredible opportunity to build bonds with customers. Not every brand is there yet, but we're swinging away from problem resolution to relationship building."

Forward-thinking organizations are already working to develop a value exchange with each customer. Customers get problem resolution and solutions

HIGHLIGHTS

94% of survey respondents agree the **quality of customer service** an organization provides **impacts its bottom line**.

90% agree customer service is a critical factor in a customer's decision whether or **not to do business with a company**.

69% agree their organization has made **good progress in efforts to improve customer service** operations over the past two years.

Due to rounding, some figures in this report may not add up to 100%.

for their other needs, improving the relationship; the company receives customer retention and customer loyalty, resulting in the opportunity to upsell or cross-sell related products. Fueling this value exchange is the connection between customer service and the considerable amounts of data companies have on their customers. Organizations can then take an integrated, data-driven approach to optimize the customer experience (CX) across all customer touchpoints and thus fully develop this value exchange model. In other words, thanks to technology, customer service can transition from a cost center to a profit center.

"More companies are seeing customer service as an opportunity to increase customer retention, confidence, and loyalty," says Shep Hyken, founder of St. Louis-based customer service consultancy Shepard Presentations and author of several books, including *The Cult of the Customer*. "Anything done [to improve] customer service is an investment that will pay off. Customer service shouldn't be seen as a cost, but as an opportunity to make money."

This report will explore the opportunities companies have to increase the value of customer service through advocacy, retention, loyalty, and cross-sales. It will examine how data-driven customer service organizations can take an integrated approach—via technology and the content it can surface—to ensure data access for customer service professionals to optimize customer service and further develop the value exchange model.

Accountability Confusion

Companies have their work cut out for them to improve customer service. "When asked where and why [their customer service efforts] fall short, the responses are predictable—lack of customer intimacy, lack of customer immediacy, variance in execution, cost of delivering [a] great experience, too much or too little automation, lack of strategic intent, and so on," says Jay Rao, professor of strategy and innovation at Babson College in Wellesley, Massachusetts.

There is also confusion around accountability and responsibility. "When asked who in the firm should be responsible for the customer experience, the responses are again predictable," Rao adds. "Almost unanimously, they say that everyone in the firm is responsible. This is where customer experience breaks down. When everyone is responsible, no one is accountable." The customer service agent is the ultimate point of contact with the customer and should be the one accountable.

It may not be a coincidence, given this confusion, that customer satisfaction is at a low ebb. The American Customer Satisfaction Index (ACSI), a prominent indicator of general customer sentiment and how customers feel about companies and the levels of service they provide, "has been declining over

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the last few years [because] customers are more demanding. They know what to expect and they know what they can get," says Hyken, the consultant and author. "It is much harder to satisfy those customers."

According to the ACSI,[1] customer satisfaction has suffered steady declines over the past four years, hitting its lowest point since 2005 in early 2022 before rising 0.1% to 73.2 (on a 0–100 scale) for the third quarter of 2022. It was only the second time in four years that the ACSI had increased.

"We hit an 18-year low last year in customer satisfaction [on the ACSI rating]," says John DiJulius, president and founder of customer service consultancy The DiJulius Group, based in Cleveland. "[The ACSI rating] has been dropping like the Titanic. The pandemic has caused the Great Resignation, employee burnout, and supply chain issues. Now consumers are paying more and getting less. It allows the few companies that do focus heavily on customer experience to lap their competitors."

Hyken agrees external forces have certainly added to the challenges. "We have almost the perfect storm of everything bad," he says. "More companies are making the mistake of cutting in places that affect the customer. A customer-focused company is one that takes the customer into consideration with every decision they make. If they have to raise prices or eliminate product, it is incumbent upon them to consider the ramifications for customers of those decisions."

Indeed, if the evolving age of convenience has reinforced anything, it is that consumers have grown accustomed to having access to more products and services and acquiring them more quickly. Heaven help the organizations that fail

them. "Firms like Uber, Airbnb, Amazon, Netflix, and others are driving us toward an on-demand, easy-to-do-business, open access, instant gratification, sharing society," says Babson's Rao. Customers need service that is relevant and rapid and meets the expectations set by previous interactions with these quality companies. "Customers' brains are getting slowly rewired by these trendsetters," he says. "Society will expect and demand the same sense of urgency, transparency, and on-demand, 'do it now' experience from every business. If they don't get it, they will go elsewhere."

Changing Perceptions of Customer Service

While moving in the direction of this optimized customer experience may be an acknowledged goal, many companies struggle to make headway. "[Company executives] all claim to be customer-focused or customer-centric. Yet, when asked to rate themselves against the global best-in-class firms, they consistently give themselves five to seven on a scale of 10," says Rao. "Great customer experience is an outcome of intense and relentless focus on the customer. You must have extreme empathy and urgency toward customer pain and the customer experience."

Often, management has too rosy a perception of the organization's customer service performance. "They realize [the importance of customer service], but there is a gap in the level of service they provide," says Hyken. "Company leadership thinks [their service] is better than what the customers think. Customers are smarter about what service and experience look like. They're used to the rock star companies that are promising the experience and delivering on that experience, so when a customer is doing business with any other company, they're comparing that experience to the best."

Certainly, executives understand that the traditional perception of customer service as a cost center is changing. Forty-three percent of respondents say their organizations view customer service as a strategic lever for business growth, as opposed to simply being a cost center (only 27%). Nearly one-third (30%) of respondents say their organization views customer service as an equal combination of both. **FIGURE 1** Accounting for the business impact of customer service remains a challenge, though, with 75% of respondents agreeing their organization needs to be better at tracking revenue generated or lost by customer service.

Meanwhile, 69% of respondents agree their organization has made good progress improving customer service operations over the past two years. Respondents also report the overall quality of customer service they provide has improved somewhat over that period, with 40% indicating it is somewhat better and 20% saying it is significantly better. Still, 22% say it

FIGURE 1

Viewing Customer Service Strategically

Customer-focused companies increasingly see it as a lever for business growth

Does your organization see the customer service function more as a lever for business growth or more as a cost center for the business? [SELECT ONE]

43%
More as a lever for business growth

30
Equally both

27
More as a cost center
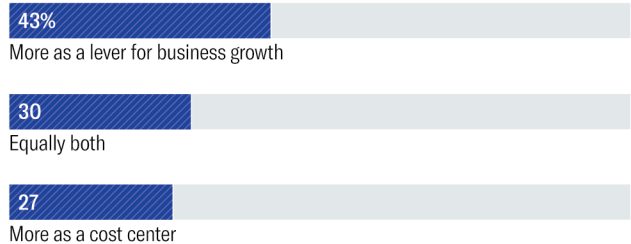
Source: Harvard Business Review Analytic Services survey, November 2022

has remained the same, and 15% say it has become worse, so there is clearly still work to be done for many organizations.

Paying More Attention to Data

In their efforts to improve customer service, companies are focusing on several factors. Knowledge sharing tops the list of initiatives respondents think their organization should be working on to improve its customer service (66% of respondents), followed by investing in customer service talent (60%), implementing more predictive/proactive service (60%), and upgrading the technology to support customer service agents (56%).

"There are new-age firms in several industries setting the trend, such as fintech, ride-hailing, and delivery services," says Rao. "They are at the forefront in terms of using newer technologies and competing on better customer experiences. They have brought a heightened sense of urgency for other firms trying to invest in better customer experiences."

Even if companies have the customer data they need, access is often insufficient. "There's a lot of information contained in one place, and it isn't always available to all people who should have it," says Hyken. "For example, somebody in customer support should have a really good understanding of the customer. There should be technology that allows that agent to have a summary right in front of them. Then marketing needs information about buying patterns, buying habits, and spends."

All that aggregated data helps the company and the customer service agents develop context around customers and their behavior. There are sophisticated technologies and intelligence platforms that can store, aggregate, process,

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and present that data in a way that helps streamline and improve the efficacy of customer service interactions. Yet that technology is not necessarily in widespread use, according to the survey findings. Seventy-one percent of respondents report their customer service agents use three or more digital solutions for resolving customer inquiries. Yet only 19% report using a platform of integrated applications.

Beyond the immediate benefit of improving the customer experience, ensuring the right people have the right data at the right time also increases efficiency. "That saves companies money," says Hyken. "Companies focus on AHT—average handle time. That is a metric used to determine the success of the agent-customer interaction and how long it takes to achieve resolution." However, if that agent were to spend a few extra minutes with the customer and anticipate the next call or the next question to help prevent future calls, that foresight would increase the overall efficiency of the customer service interaction. At the same time, such anticipation also provides a better customer experience by proactively resolving potential future issues.

The technology that supports and facilitates customer service is improving, but there must be a balance between human interaction and technology-driven self-service. "We push them toward the digital channel because it will often make for a better experience," says Hyken. "At the same time, we need to make it really easy to transition from the digital to [a] human experience."

When a customer is interacting with chatbots enhanced with artificial intelligence (AI), for example, those bots should be smart enough to recognize when they're not providing

the customer with the right answers or service. At that point, they should be able to seamlessly hand that customer over to a live agent. That transition exemplifies the proper balance between digital and human.

That changeover can go in the other direction, as well. "If we get a customer on the phone and realize they should have gone digital, we can teach that customer to use digital tools the next time by saying, 'We're glad you called, but do you realize you can easily find this on the web?'" says Hyken. The digital interaction is often more efficient and preferable to the customer—and for the company, it's less expensive.

Hyken points to commercial airlines as an example of this drive to move customers toward digital interaction. "Years ago, they came up with the idea of booking flights online. People were resistant until they were offered 500 bonus miles. Then they tried it and found it's better and easier. You can see all the options in front of you," he says. "[The airlines] created a great customer experience with digital. Then they got adoption by creating an incentive, and there was a tipping point where this [booking system became] the normal way you do this."

Perfecting the Customer Profile

With the drive toward digital, there is an increasing emphasis on gathering and aggregating customer data with the use of evolving technology platforms. This collective data helps both customers and customer service agents, as it presents a single source of truth. One of the most powerful tools a customer service agent can have at their disposal is a comprehensive and up-to-date customer profile. Having that customer's purchasing history right in front of them, plus other details like shipping address and payment preferences, can help reduce friction during the customer service interaction. Respondents to the survey say their organizations plan to streamline the customer service interaction by taking the following steps.

In the coming year, the most common capabilities organizations plan to implement are more automation in the customer service process (37%), more predictive/proactive service (34%), improved customer data/profiles for use by customer service agents (32%), and increased knowledge sharing between customer service and other functional departments (also 32%). **FIGURE 2**

Ensuring access to complete, accurate, and up-to-date customer profiles is now an immediate priority for organizations because of the need for data-driven insights. Maintaining continuous updates of those customer profiles is the ideal, according to Hyken. "Customer profiles should be current," he says. "We'll take as much data as we can get from the customer, and we're going to get it one of two ways. We can track buying patterns and habits. Then if they're willing, we can ask them questions. As long as we've created trust with

FIGURE 2

Priorities and Plans for Improving Customer Service

Automating the process and being more predictive lead the pack

■ Have plans to do this within 12 months ■ Currently doing this ■ Have already done this in past 3 years ■ Have not done this in past 3 years and no plans to

37%	35%	12%	16%

Implement more automation into the customer service process

34	31	11	23

Implement more predictive/proactive service (i.e., before a customer reaches out)

32	36	18	15

Improve/increase knowledge sharing between customer service and other functions (e.g., Knowledge-Centered Service)

32	30	14	24

Provide customer service agents with better or more customer data/profiles/history

29	37	23	11

Upgrade the technology systems that support customer service agents

26	39	15	20

Provide service through more touchpoints/channels (i.e., focus on omnichannel)

25	24	8	43

Increase use of a "swarming," collaborative support model (as opposed to a multi-tier model)

25	44	18	12

Invest in talent and performance of customer service agents (e.g., improve training, recruiting, upskilling)

21	48	21	10

Solicit more customer feedback on their satisfaction with the interaction

Source: Harvard Business Review Analytic Services survey, November 2022

that customer and do not abuse that data, they'll be willing to form a stronger and tighter relationship."

He cites online pet supply retailer Chewy.com as a pertinent example of effectively gathering and using customer data. "They know the names of customers' pets. How do they get that? The customer had to give it to them," says Hyken. "Then they use that information in a way to endear themselves to the customer even more through levels of personalization."

For example, Dania Beach, Fla.-based Chewy.com recently reached out to customers in California based on a select geographic profile. "They said, 'Hey, you're in California and we know the rain and mudslides are bad. We hope you and Fido are doing fine,'" says Hyken. After receiving an email like that, the customer feels care and concern from the company.

More companies need to place a stronger priority on gathering customer data. "It's not enough to simply say you want customer feedback. You have to make it a priority, involve every team, and create processes to gather, analyze, and use that feedback," says Rutgers' Morgan. "Feedback loops are essential to turning customer insights into action items and continually improving the customer experience. The most successful companies loop customer feedback through contact center agents back to the product or innovation teams to solve problems and proactively address issues for future customers. As brands leverage AI, machine learning (ML), and natural language processing to collect and sort data, they can streamline data collection and store information to create robust customer profiles."

"It's not enough to simply say you want customer feedback. You have to make it a priority, involve every team, and create processes to gather, analyze, and use that feedback."

Blake Morgan, customer service consultant, adjunct professor at Rutgers University, and author

Gathering and soliciting customer data appears to be a high priority, with nearly half (48%) of the respondents currently working on soliciting more customer feedback on their satisfaction with customer service interactions. Getting more efficient use out of that data is a significant priority, too, with increasing or improving knowledge sharing (66%) topping the list of what executives think their organization should be working on to improve its customer service.

Overcoming Data-Related Obstacles

Company executives may recognize what they need to change on the customer service front, but they often struggle to implement measures to do so. The most significant challenge, according to 54% of respondents, is day-to-day work taking precedence over widespread improvements to the customer service function. **FIGURE 3** Other significant customer service challenges include talent shortfalls (44%), inefficient or outdated technology (44%), and inefficient or disconnected workflows (40%).

"Digital technologies including the internet of things, AI, and ML can help firms be at the forefront," says Rao, explaining that these technologies can help gather, aggregate, analyze, compare, and present customer data in comprehensive and current profiles. "Deploying these technologies is expensive, [is] complicated by skill shortages, and suffers from a lack of the executive accountability needed to see deployment through so that there are returns on these investments."

Companies are striving to embrace data-driven, personalized customer service to remain competitive and will have to overcome obstacles to achieving that goal. Most companies are doing their best to use the technology available to them to get more use out of customer data and store it in a single accessible location, thus providing customer service agents with a single view of the customer through accurate and updated customer profiles. Even so, companies continue to face challenges managing data. Less than half (37%) of respondents report having customer data stored in a single accessible location, and only 27% provide their customer service agents with customer profiles with a single view of the customer.

"Technology is great to help a company become more customer-centric in the digital age, but you have to be careful. It can't replace human interaction," says The DiJulius Group's DiJulius. "You can use AI and self-service channels for easy manual steps and help customers avoid calling an 800 number. Apple is a great example of this. I can go on the Apple website and it takes only 90 seconds to book an appointment at the nearest Apple store. Then when I speak to an Apple genius, I can share my burden and connect. I get to marry the digital with the human experience, and that helps build lifetime value."

Barriers Block Customer Service Improvements

The daily grind holds back broad changes in how organizations serve customers

What are the greatest barriers getting in the way of improving your organization's customer service? [SELECT UP TO FIVE]

54%
Day-to-day work takes precedence over making widespread improvements for the customer service team(s)

44
Talent issues (e.g., high turnover, lack of engagement among agents, lack of sufficient training for agents, etc.)

44
Inefficient or outdated customer service technology

40
Inefficient/disconnected customer service workflows

33
Data useful to customer service is too siloed or inaccessible

31
Budgetary constraints

29
Leadership doesn't prioritize customer service enough

25
Hard to make the business case/prove ROI of investing in customer service

23
Increasingly complex/difficult to solve customer service inquiries

4
Other (please specify)

Source: Harvard Business Review Analytic Services survey, November 2022

Generating Business Value

As DiJulius points out, the value exchange involving customer service very much depends on not just technology but people, which becomes especially apparent when it comes to retaining customers, improving brand reputation, and getting more business outcomes out of each interaction with a customer.

Seventy percent of respondents say that improved retention and loyalty is one of the top three outcomes their organization is looking to get from improving its customer service. Using customer service to upgrade brand reputation and increase the likelihood of customer recommendations (61%), as well

as increasing the value of each customer service interaction (53%), mostly through upselling and cross-selling, are the second and third most sought-after outcomes reported.

The retention of customers is foundational to all other customer service efforts. In fact, according to the 2022 Achieving Customer Amazement Study,[2] conducted annually by Hyken's Shepard Presentations, customers are significantly more likely to react positively in every way after receiving good customer service, even more so in 2022 than in the previous year. Hyken's research found that 78% of customers would be willing to go out of their way to go to a company that has better customer service, 74% of customers would switch to a competing brand or company if they found out it provided a better customer experience, and 58% of customers believe great customer service is more important than price.

Moreover, while there is demonstrable business value in customer retention, companies can also increase the business value of that customer relationship by upselling and cross-selling related products and services. Yet, while upselling and cross-selling can indeed generate significant revenue, it is advisable not to upsell something simply for the sake of generating revenue. At the end of the day, most customers will sense too aggressive a sales pitch. "The goal is to create knowledge and expertise, to build trust so you can recommend what a customer needs," says Hyken. "It's the balance between just giving a customer what they want and giving the customer the best opportunity to work with you."

He cites a customer visit to Oak Brook, Ill.-based retailer Ace Hardware Corp. for paint as an example. "If you go to an Ace Hardware store and buy a can of paint, if they don't ask you if you need brushes, they're making a mistake," Hyken explains, noting that the corporate culture is to ensure customers have everything they need to complete a project, even if it may be something they don't realize they need. "They're not trying to upsell you just to get you to buy brushes. They're trying to make sure that when you go home, you haven't forgotten a crucial part of the project."

Hyken believes this kind of customer interaction is one that benefits both the company and the customer. The company generates additional revenue, and the customer gets everything they need and emerges satisfied. "Drop cloths, brushes, rollers—they want to make sure you walk out with everything you need for that project so you don't have to come back," he says. "When McDonald's asks, 'Would you like fries with that?' that's the best upsell of all time, because who doesn't like fries?"

Facing the Future

Despite the many challenges companies face when striving to improve customer service, the potential opportunities make it well worth the effort. Ninety percent of respondents agree that customer service is a critical factor in a customer's decision whether or not to do business with a company. Data-driven technologies can help companies continue to advance their customer service efforts by providing a single platform to make customer service agent workflows more efficient; provide accurate, comprehensive, and up-to-date customer profiles; and streamline customer service processes.

"Nothing has changed in customer service. I have a question, problem, or complaint, and in the end, I want to be happy and want my question answered," says Hyken. "What happens in the middle is what's changing. We can play around with what happens in the middle to make sure it becomes a better experience."

Rao agrees that the impact of digital technologies will continue to advance customer service. "AI and ML technologies are ubiquitous already," he says. "They are only going to enhance firms' ability to go from data to information to knowledge to insights rapidly and in many cases, in real time."

Data-driven technology and increased automation can also help effectively address the challenges of insufficient time, resources, and staffing. Companies can help ensure their customer service interactions drive customer loyalty and retention, increase customer satisfaction, and even help improve the company's bottom line.

"Customers crave the convenience of getting answers and support on their own schedules," says Morgan. "Brands need to expand beyond the traditional channels and be available to customers in new ways. Being where customers are and embracing new technology allow brands to better connect with customers in seamless, convenient ways."

Endnotes

1 American Customer Satisfaction Index, "American Customer Satisfaction Index Q3 2022," November 2022. https://www.theacsi.org/news-and-resources/press-releases/2022/11/08/press-release-national-acsi-q3-2022/#:~:text=ANN%20ARBOR%2C%20Mich.%2C%20(,%2D100%20scale)%20this%20quarter.

2 Shep Hyken, "The 2022 ACA Study: Achieving Customer Amazement," Shepard Presentations, August 2022. https://hyken.com/wp-content/uploads/2022-ACA-Study.pdf.

Harvard Business Review Analytic Services surveyed 252 members of the Harvard Business Review audience via an online survey fielded in November 2022. Respondents qualified to complete the survey if they were familiar with their organization's customer service strategy.

Size of Organization

18%
10,000 or more employees

28%
1,000–9,999 employees

13%
500–999 employees

25%
100–499 employees

16%
50–99 employees

Seniority

31%
Executive management/ board members

36%
Senior management

24%
Middle management

9%
Other grades

Key Industry Sectors

12%
Technology

12%
Manufacturing

10%
Financial services

All other sectors less than 10% each.

Job Function

28%
General/executive management

17%
Sales/business development/ customer service

9%
Strategic planning

9%
HR/training

All other functions less than 8% each.

Regions

42%
North America

21%
Asia Pacific

17%
Europe

12%
Middle East/Africa

6%
Latin America

2%
Other

Figures may not add up to 100% due to rounding.

ABOUT US

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