McKinsey & Company

Simple, predictive, proactive, responsive: The future of customer operations

For happier customers and lower costs, companies need a better way to steer their digital-service transformations.

by Varun Atre, Julian Raabe, Tim Schenk, and Rohit Sood

For telcos, banks, insurers, energy retailers, and others in similar service-based industries, it has always been difficult to stand out from the crowd. With limited opportunity to differentiate their product offerings beyond geographic coverage, these businesses typically compete by offering a combination of low prices and a good customer experience to drive acquisition and retention. A key challenge for such organizations is ensuring that they can deliver each of those elements without compromising the other.

The pressure on both sides is becoming more acute. Incumbents are facing intense competition from new, digital-native market entrants, leveraging others' infrastructure and offering radically different sales, service, and support models. This disruption, along with saturated markets in many sectors, has triggered a war for share that has driven margins down to historically low levels. Customers are becoming less loyal, too: in mid-2020, 36 percent of US consumers reported trying a new product brand in the previous three months.

Those forces were in play before the COVID-19 crisis, but the pandemic has been a catalyst for more rapid and radical change. As the mass transition to remote working has increased demand for reliable service and rapid problem resolution, companies have struggled to provide this reliability as they faced reduced call-center capacity and mixed levels of resilience from outsourced service providers. A weaker call-center experience has thus encouraged customers to migrate to self-service digital channels in search of a quicker resolution to their requests.

All this is driving companies to redouble their efforts to integrate new technologies into their customer-service operations. Companies rightly see digital tools—such as user-friendly, artificial intelligence (AI)–assisted self-help options and advanced analytics–based issue prevention—as a way to achieve significant productivity improvements, while also offering a better customer experience. For companies, the big shift has been the urgency of the transition, with leaders wanting to transform both service and cost in 12 months or less, rather than three years or more.

Achieving this ambition will require a new approach, an expanded toolkit, and a big mind-set shift away from today's standard approach to service innovation—which tends to focus on the introduction of narrow solutions addressing individual service channels or specific customer touchpoints. Instead, companies have an opportunity to think more holistically, aiming for an environment where the most popular service options are also the best and the most cost-efficient.

Companies can succeed by doing three things well:

— Go for every opportunity, but prioritize upstream solutions

— Offer great service across all channels, but be distinctive in zero-touch self-serve

— Go beyond the business unit (BU) walls with a whole-company approach

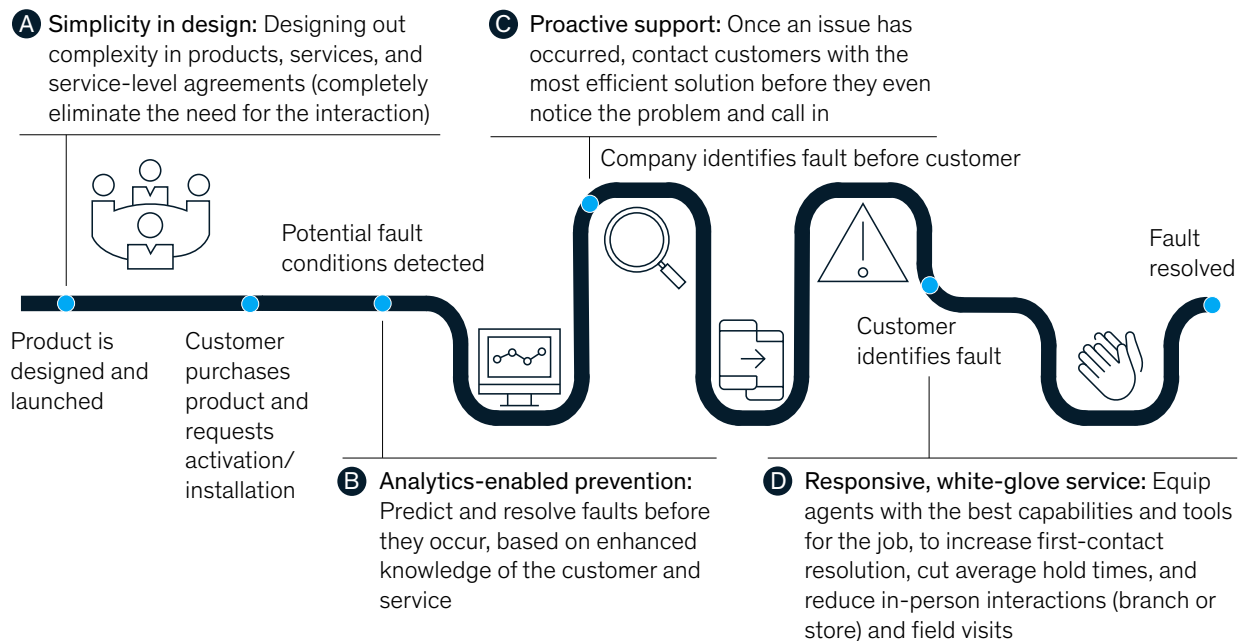## Go for every opportunity, but prioritize upstream solutions

To unlock maximum value, companies need to address every opportunity to improve productivity while delivering a better service experience. In doing this, however, they should recognize that some strategies are naturally more efficient and more likely to please customers than others. The best kind of fault in a broadband service, for example, is the one that never occurs. The next best is the one that the provider resolves automatically with minimal inconvenience to the customer. Four sequential levers enable companies to build such low-cost, high-satisfaction service offerings (Exhibit 1).

Simplicity in design
Removing unnecessary user complexity from products, services, and service agreements can eliminate the need for customer interactions at a stroke. Nobody likes to receive a bill, but the best bills are ones that are expected, include breakdowns that are easy to understand (and, ideally, charge the same amount each month). Disputes over excess data charges, for example, can be prevented by offering mobile-phone packages with unlimited usage, or by sending SMS update messages warning of an impending

Exhibit 1

Every opportunity can be addressed, with a preference for upstream solutions.

A Simplicity in design: Designing out complexity in products, services, and service-level agreements (completely eliminate the need for the interaction)

C Proactive support: Once an issue has occurred, contact customers with the most efficient solution before they even notice the problem and call in

Company identifies fault before customer

Potential fault conditions detected

Fault resolved

Product is designed and launched

Customer purchases product and requests activation/ installation

Customer identifies fault

B Analytics-enabled prevention: Predict and resolve faults before they occur, based on enhanced knowledge of the customer and service

D Responsive, white-glove service: Equip agents with the best capabilities and tools for the job, to increase first-contact resolution, cut average hold times, and reduce in-person interactions (branch or store) and field visits

speed throttle before a monthly cap is exceeded. On the hardware side, broadband modems with a built-in 4G backup can automatically switch over if there is a fixed-line service outage, maintaining the customer's internet connection. In energy, ensuring realistic prepayments that account for seasonal usage variations can prevent end-of-year bill shock.

Analytics-enabled prediction
Advanced analytics can help companies predict potential problems even before they occur. That allows them to take action to prevent or address the problem in an efficient way, reducing costs for the company and inconvenience to the customer. Such approaches can derive a wealth of knowledge from preexisting but underutilized data, such as customers' usage patterns, equipment data (from smart modems or similar equipment), network data (including maintenance routines) or weather records.

If multiple households in the same street experience poor broadband speeds during rainstorms, for example, data from their smart modems can trigger a single field visit to resolve the issue at the pit, saving many phone calls and slower, exploratory field visits.

While on site, the technician can also perform upcoming scheduled inspections at other pits in the locality, replacing end-of life components and saving further future visits.

These predictive approaches can also create "wow" moments for customers. A provider might do this by sending a replacement battery for the customer's device before it fails, based on accumulated usage, or providing additional hardware to eliminate poor wireless performance based on analysis of network traffic.

Proactive support
Companies can use the same analytics-driven approaches to put themselves one step ahead of their customers when issues do arise. By identifying problems before their customers do, suppliers can reach out proactively with potential solutions, encouraging the customer to use the fastest, most cost-effective resolution channel.

Comparing current and historical energy usage, for example, can enable an energy supplier to see that a pre-paid customer is likely to exceed their

usage cap. Through its app or via text message, the supplier can then contact the customer offering recommendations and a self-serve mechanism to extend or upgrade their plan. Banks might apply similar mechanisms by proactively notifying customers of unusual payments (such as foreign transactions), providing a quick in-app confirmation or request to pause the transaction, instead of requiring the customer to initiate contact or go through a complex charge-reversal process later on.

For a telco, smart modems can detect intermittent WiFi before the user becomes aware of the issue. That can trigger a message in the user's app that either directs them to the relevant one-minute self-help guide, or offers a scheduled callback by a support technician. At one European telco, creating this wow moment cemented customer loyalty and halved the company's churn rate.

Responsive, white-glove service

Some issues cannot be designed out, predicted, or proactively resolved. In these cases, where the customer does need to initiate contact, they should receive responsive, white-glove service, regardless of the engagement channel they choose. Service-response systems should make good use of all available data to rapidly understand the customer's situation and context, diagnose the problem, and guide them to best solution.

One European telco, for example, has created an analytics engine and a new customer-service interface at its contact centers. The system identifies customers automatically, immediately presenting the agent with relevant account information, such as recent modem dropouts, call history, and billing anomalies. As soon as the agent answers the call, everything needed to resolve the customer's issue quickly and seamlessly is at the agent's fingertips.

Reducing the work required to verify and diagnose issues also enables care agents to focus on empathizing with customers and ensuring that problems are truly fixed, rather than following rigid checklists. The absolute majority of customers say that they want to have their requests resolved in the first contact, without being transferred to multiple departments or service agents. That makes first-time-right a north-star ambition for companies,

which are reconfiguring their service teams in response. A payments provider, for example, now ensures its frontline teams cover a range of skills, including not only sales agents but also specialists in security, settlements, compliance, and other back-office functions. One team therefore remains responsible for each customer until the request is fulfilled, minimizing the risk of losing the request in poor handoffs between functions.

Offer great service, especially in zero-touch self-service

Each of these four changes can yield benefits across different customer-engagement channels—but for highest impact, they can be applied in an integrated way to address issues with minimum effort. This same thinking applies as much to interactions within the company as to those with customers.

Zero-touch, digital self-service becomes the preferred form of service for both the customer and the company for most interactions. Sales and customer onboarding involve easy-to-navigate subscription-style products, whose pricing and terms are simple and that can be purchased online or in-app. Wherever possible, after-sales service and inquiries (including complaints) use accessible, in-app digital diagnostics and self-guided tools. Easy-to-follow instructions that customers can drive themselves lead to faster, less frustrating outcomes than waiting on hold in a call-center queue.

Automated, AI-enabled service improves experience and accelerates service without requiring human intervention on the company side. Automation is highly scalable, supporting a virtually unlimited number of customers without adding more support personnel. Promising use cases include keeping customers up to date on their consumption versus their plan allowance; automatically monitoring service quality and proactively reaching out to resolve detected issues (via self-service wherever possible); and enabling agents to answer customer queries faster.

Human-enabled channels feel the benefits of design for simplicity through a reduction in contact volumes. These channels, including contact

centers, field forces, and store employees, can instead impress customers with a focus on empathy, proactive outreach, and higher-quality responses to inbound queries, with richer information presented in a clearer way (Exhibit 2).

Exhibit 2

Across channels, four changes can help generate more value from digital services.

	1 Design simplicity	**2** Analytics-enabled prediction	**3** Proactive support	**4** Responsive, white-glove service
Zero-touch, digital self-service (app, web)	**[TELCO]** Subscription-style access at transparent, fixed monthly prices with easy-to-understand terms and self-selected in-app upgrades enabling zero-touch activations **[BANKING]** Radically simplified fee structure, from many different transaction fees to a single monthly or annual charge	**[BROADBAND]** Analytics predicts a potential service issue, triggering digital push notification informing customers how to avoid service interruption through easy-to-navigate self-care **[ENERGY]** Customers offered cost savings if they opt in to demand control for their intelligent A/C units	**[ENERGY]** Detected power-demand flatline confined to single household in street triggers SMS message suggesting fuse-box check **[BANKING]** Easy-to-navigate monthly spending summaries, categorized by type (eg, groceries, apparel, hardware), frequency, and whether subscription-based	**[BROADBAND]** QR code on modem box guides user through app-based self-installation guide, supported by data from previous installations at customer site **[BANKING]** Self-guided activation for replacement cards
Automated channel (Bots, interactive voice response (IVR), automated SMS)	**[MOBILE]** SMS informs customers at 50, 90, or 100% of data usage that speed will be throttled with no excess charges **ENERGY]** 'Read my own meter' capability with AI-assisted step-by-step guidance completes automated meter verification and bill estimate	**[BROADBAND]** Detected speed issues resolved through remote modem software upgrade and reboot overnight **[ENERGY]** Predicted power-usage spike sends push notification to high-demand households offering bill credit to decrease demand by 50% for next 6h	**[BROADBAND]** Smart modem detects intermittent WiFi and triggers in-app message informing customers of fault and directs them to self-serve, or offers scheduled call-back for guided resolution **[BANKING]** Automatic notification of unusual transaction types (eg, new foreign payment)	**[TELCO]** Bot or IVR checks for potential root causes for issues, eg, through line-ping or automated check of bill **[ENERGY]** Service agent can see relevant demand patterns and the best offer for customer's unique circumstance
Human-enabled channel (Contact center, field force, stores, back office)	**[ALL]** Radically simplified product and service portfolio that decreases time spent looking up information (eg, billing and sales inquiries) **[ENERGY]** Smart meters equipped with remote diagnostic capabilities allow agents to identify faults without a field visit	**[ALL]** Analytics system informs agents of most likely customer issue at the start of a call, and provides tools to guide them to a successful resolution **[ENERGY]** Solar install at household triggers notification to others in neighborhood of the money "a neighbor saved" through solar and demand control, leading to follow-on local sales	**[ENERGY]** Power outages in street or suburb trigger automatic notifications to all affected customers with clarity on timeline to resolve **[MOBILE]** Actively contact customers before bill-shock events occur, and adjust down payments proactively early on	**[ALL]** AI-assisted agent coaching, and enhanced user interface with predictive prompts, reduce call duration **[ALL]** Advanced staffing models enable integrated workforce planning for centers, branches, and stores **[ALL]** Customer operations become talent factories, with talent lifecycle approaches that drive in-moment coaching and learning

Take a whole-company approach

Even highly successful initiatives can fail to capture their full potential if they are launched in isolation or without coordination—leading to higher costs or worse customer experience because of choices made elsewhere in the company. If a customer calls a contact center having failed to resolve an issue using digital self-service channels, for example, an agent asking them to repeat the same initial diagnostic steps is both wasteful and frustrating.

To avoid this trap, companies can design their service transformations with a whole-company view of improvement in experience and cost. Taking this true end-to-end view when planning, prioritizing, and sequencing initiatives can minimize leakage of customer issues from high-productivity self-help and automated channels to high-cost, manual alternatives.

For some issues, it can also eliminate the root causes altogether. Under a business unit–focused approach, the field force unit might create an automated customer callback that, before dispatching a truck, double-checks the address and hardware information entered in an online form. The solution might work most of the time—but at the risk of requiring a follow-up phone call to the customer should any disparities arise. By contrast, a company-wide approach would use AI at the point of ticket creation to validate the address information against the customers' active services and the equipment that has already been installed, eliminating the need for double-checking and for extra manual work.

Successful end-to-end process improvement also requires companywide commitment to change, strong cross-functional collaboration, and transparent, lean governance that can steer transformations. The most advanced companies nominate a single senior executive as a sponsor, with both the authority to unblock decisions and the willingness to roll up their sleeves in working with a cross-functional, multiskilled delivery team.

One successful company brought together a team consisting of product experts, contact-center agents, technology experts, and field technicians. Working in an agile way, this team quickly got to the core of the most important process, transforming it by creating distinctive experiences at a radically lower cost. The sponsor played a combined role as captain, coach, and champion for the team, clearing roadblocks and accessing different parts of the company quickly instead of imposing a bureaucratic approval-gate model. This structure facilitated quick decision-making and helped to align different units and processes as change was implemented. Performance metrics and targets were set at the overall company level and cascaded through the BUs and teams to tightly measure progress during implementation.

———

Through this approach, telcos, banks, insurers, and other service-sector players can reduce service costs by 25 to 50 percent, while simultaneously enhancing customer experience. Speed is of the essence: customers are voluntarily moving to on-line service channels at an unprecedented rate, providing a unique opportunity for innovators and fast movers to win from this transition with a distinctive offering and cost position.

Varun Atre is an associate partner in McKinsey's London office, **Julian Raabe** is a partner in the Munich office, **Tim Schenk** is an associate partner in the Melbourne office, and **Rohit Sood** is a senior partner in the Toronto office.