Service industries can fuel growth by making digital customer experiences a priority

Retailers' ever-more tailored online experiences continue to define new norms, carrying consumers' expectations for other sectors along with them.

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April 2020

Companies in consumer-facing service industries that believe customers are content with basic digital outreach had better think again. With experience leaders such as Amazon, Apple, and Alibaba setting the standard for digital engagement, sectors that may have felt one step removed from the digital disruption that roiled retail, music, and other consumer-facing industries are under pressure to raise the bar. And that pressure is only increasing with the global shutdown caused by the COVID-19 crisis pushing customers to new online shopping behaviors, some of which are likely to continue beyond the crisis.

A McKinsey survey[1] looking at the banking, auto insurance, retail energy, health insurance, and mobile communications sectors found that the quality and availability of digital interactions have a significant impact on customer satisfaction. The survey, which polled more than 3,600 consumers, showed that companies with expansive digital offerings receive stronger feedback scores. This was true even in sectors such as health insurance that have traditionally been seen as less exposed to the digital trends shaping other business-to-consumer industries.

Yet, adding digital offerings is just part of what consumer-facing service companies need to do to remain competitive in the face of increased customer expectations. The companies that customers are willing to recommend most are those that use digital capabilities to create a consistent and personalized experience across channels. With digital leaders continually enriching the quality of their interactions, customers are becoming less patient with service businesses that offer only a modest level of digital engagement.

Determined players have plenty of headroom to make such changes. Most business-to-consumer companies still offer only basic digital services, and few have created integrated, omnichannel experiences. But organizations that use technology to revamp the customer experience can carve out significant differentiation—increasing customer satisfaction by 15 to 20 percent, reducing cost to serve by 20 to 40 percent, and boosting conversion rates and growth by 20 percent.[2] By allowing

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[1] McKinsey TECE survey, conducted in February 2019, n = 3,610.
[2] Impact achieved in McKinsey-supported customer-experience transformations within two to three years (100+ customer-experience engagements); Medallia analysis.

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15–20% increase in customer satisfaction

20–40% cost reduction

20% boost in conversion rates and growth

customer-centric use cases to guide the technological foundation, connecting the entire customer journey, and creating a comprehensive adoption program, companies can achieve remarkable results.

Digital offerings have an outsize impact on the customer experience

Customers are increasingly evaluating companies based on the quality of the digital experiences offered. Our survey revealed that companies that have a greater number of digital offerings achieve higher customer satisfaction ratings (Exhibit 1).
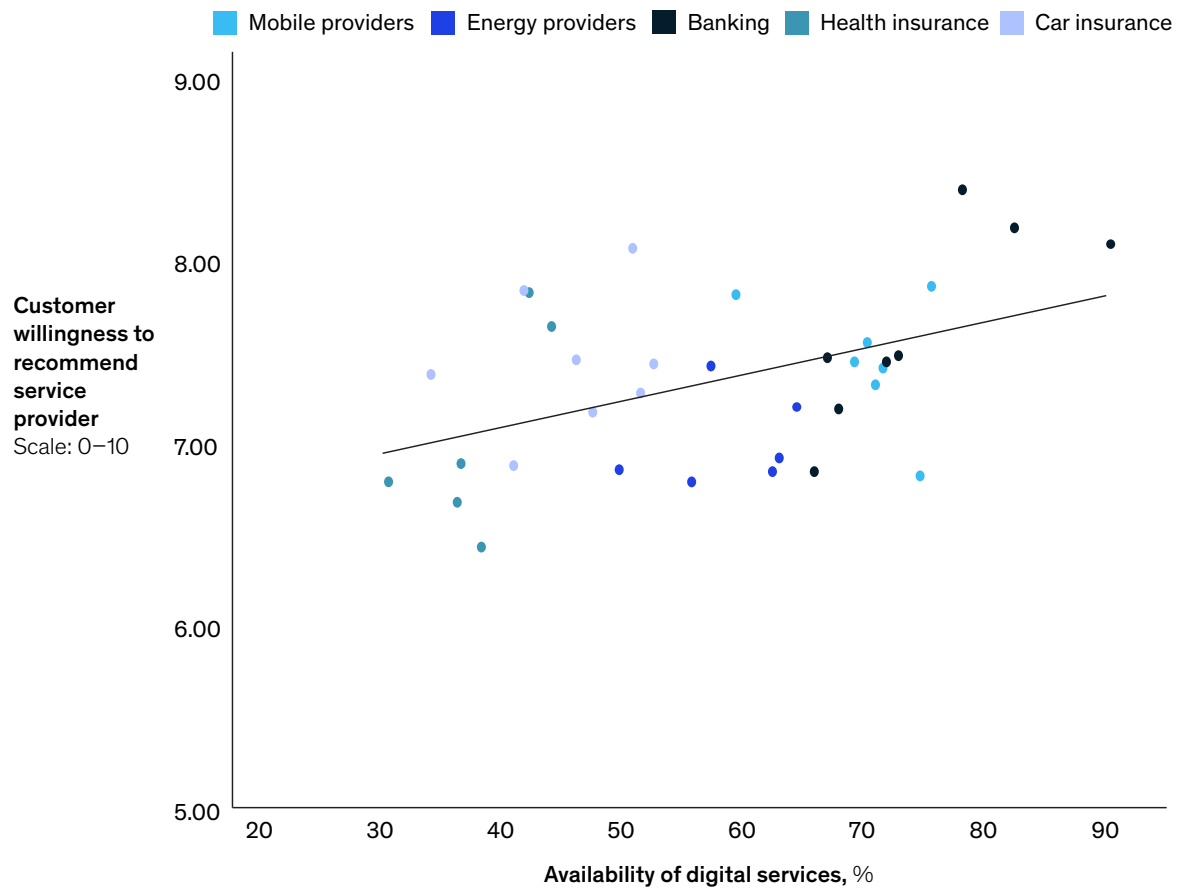
Customers are also more willing to recommend these businesses to others.

In addition to customers being increasingly open to engaging with companies over email, the web, self-service applications, and mobile devices, those digital interactions account for a growing share of all customer-initiated contact, even in industries such as health insurance that are often seen as less digitally mature (Exhibit 2).

However, the survey also revealed important nuances. Analog channels may lack the luster of their digital counterparts, but they remain

Exhibit 1

Consumers are more likely to recommend companies that have greater availability of digital services.

Customer willingness to recommend service provider
Scale: 0–10

Availability of digital services, %

Legend: Mobile providers · Energy providers · Banking · Health insurance · Car insurance

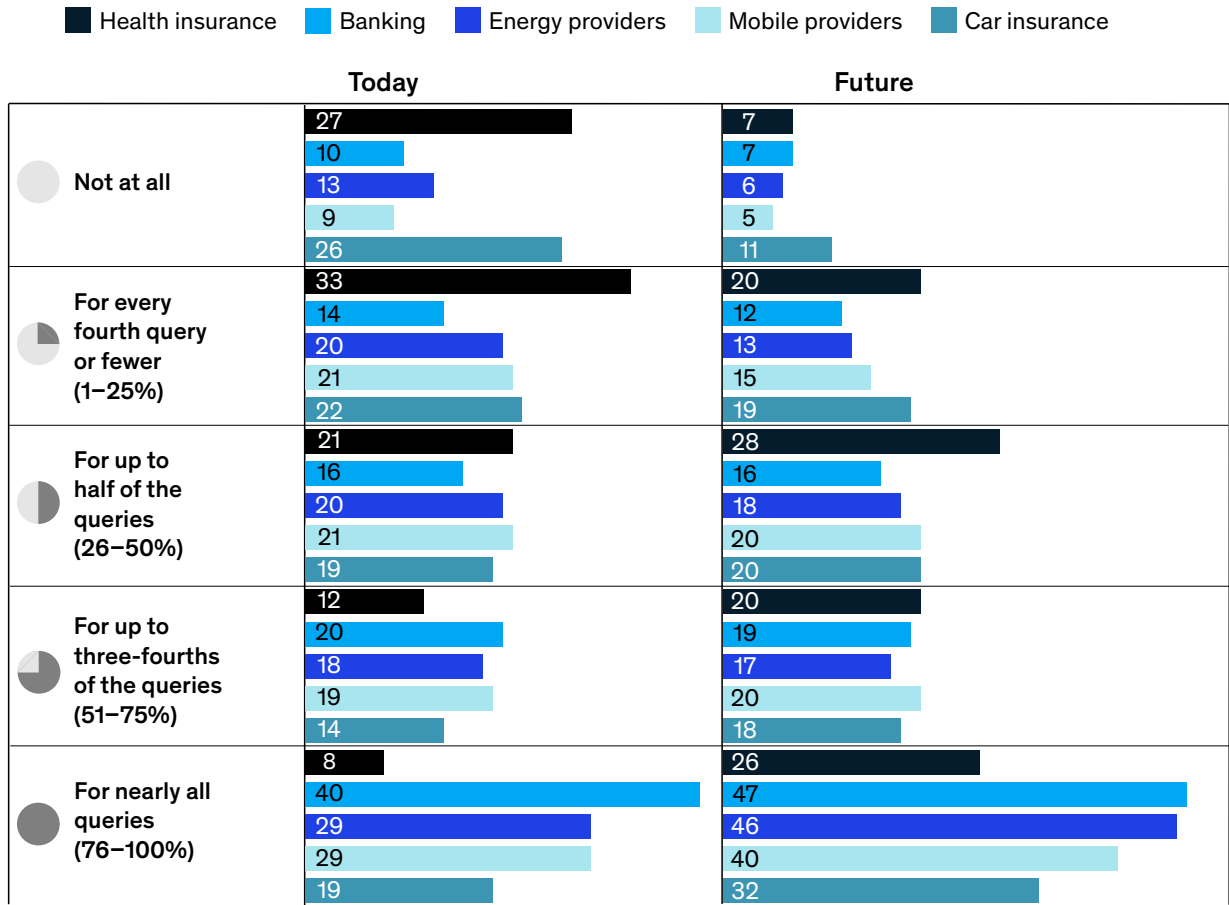Source: McKinsey TECE survey, February 2019, n = 3,610

Exhibit 2

Consumer interest in digital engagement is growing across sectors.

Use of online and digital services, %

How often do you use online/digital services today to resolve service queries?
How often would you use them in the future if the functions you would like to have were available?

■ Health insurance ■ Banking ■ Energy providers ■ Mobile providers ■ Car insurance

	Today	**Future**
Not at all	27 / 10 / 13 / 9 / 26	7 / 7 / 6 / 5 / 11
For every fourth query or fewer (1–25%)	33 / 14 / 20 / 21 / 22	20 / 12 / 13 / 15 / 19
For up to half of the queries (26–50%)	21 / 16 / 20 / 21 / 19	28 / 16 / 18 / 20 / 20
For up to three-fourths of the queries (51–75%)	12 / 20 / 18 / 19 / 14	20 / 19 / 17 / 20 / 18
For nearly all queries (76–100%)	8 / 40 / 29 / 29 / 19	26 / 47 / 46 / 40 / 32

Source: McKinsey TECE survey, February 2019, n = 3,610

a crucial element in the customer experience (Exhibit 3). The telephone, for instance, continues to be the most-used channel for customers across industries, especially in the health insurance sector, where more than 80 percent of customers call their insurer when they have a problem or query. And in an age where instant messaging, SMS, and chat can seem pervasive, a significant number of customers still value branch visits and regular mail. Far from fading into obsolescence, engagement with these traditional channels is expected to grow over the next several years.

Because customers rarely rely on a single channel, companies need to understand how individuals in high-value segments get basic information and conduct routine tasks, such as opening an account or resolving a billing dispute. In banking and health insurance, for instance, customers use mobile apps and websites with roughly the same frequency as they do branches and regular mail. Understanding usage patterns and preferences can help companies steer resources to the right areas.
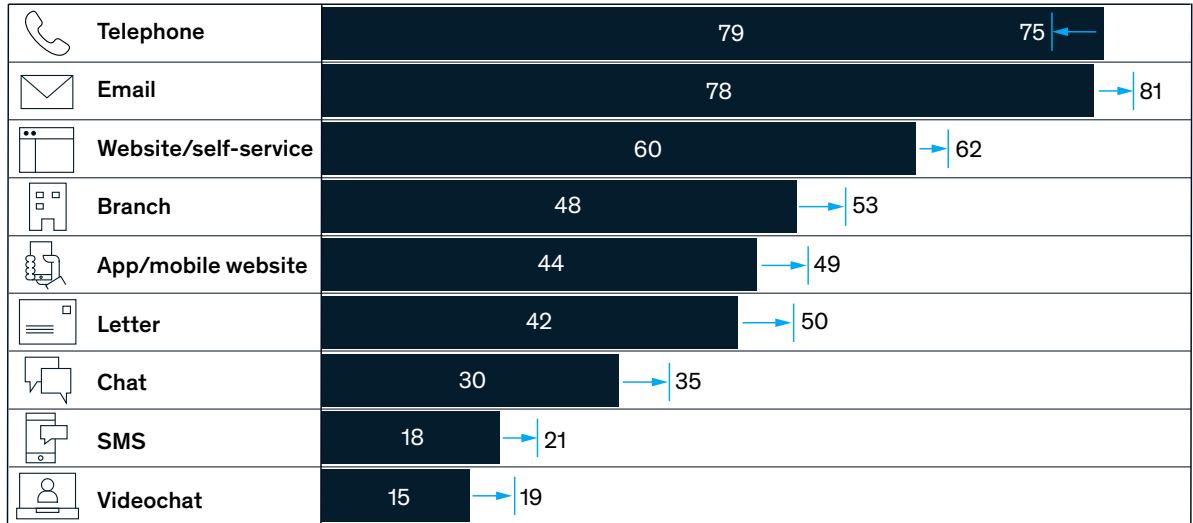
Exhibit 3

Customers are looking to interact in a variety of ways—online and offline.

Use of online and offline services, %
How do you communicate with your service provider today?
How would you like to communicate in the future?

■ Today ━► Future

		Today	Future
📞	Telephone	79	75
✉	Email	78	81
▢	Website/self-service	60	62
🏢	Branch	48	53
📱	App/mobile website	44	49
▤	Letter	42	50
💬	Chat	30	35
📲	SMS	18	21
👤	Videochat	15	19

Source: McKinsey TECE survey, February 2019, n = 3,610

Basic offerings are not enough

Customers want offerings that are smart, tailored to their needs, and easy to use, and they want an integrated experience that is channel agnostic. Although the majority of companies provide basic digital services, such as allowing customers to update their address or preferences, relatively few have advanced digital offerings that provide personalized service and data-driven insights in formats that are easy to use and access (Exhibit 4).

The good news is that even relatively simple tailored offerings create an opportunity to delight the customer. An energy provider, for example, could create a tool that would allow households to view their energy consumption with suggestions that could help lower their bill and encourage more environmentally sensitive energy use. Similar tools could allow them to adjust their monthly base payments. In health insurance, specialized apps could provide customers with a patient dashboard where they could view medical appointments, email

their provider, and access lab results and other information.

But adding richer digital offerings is just the start. Customers also want greater omnichannel integration. The companies that customers are most willing to recommend use digital tools and practices to create a consistent experience for customers online and offline, with journeys that move seamlessly across touchpoints.

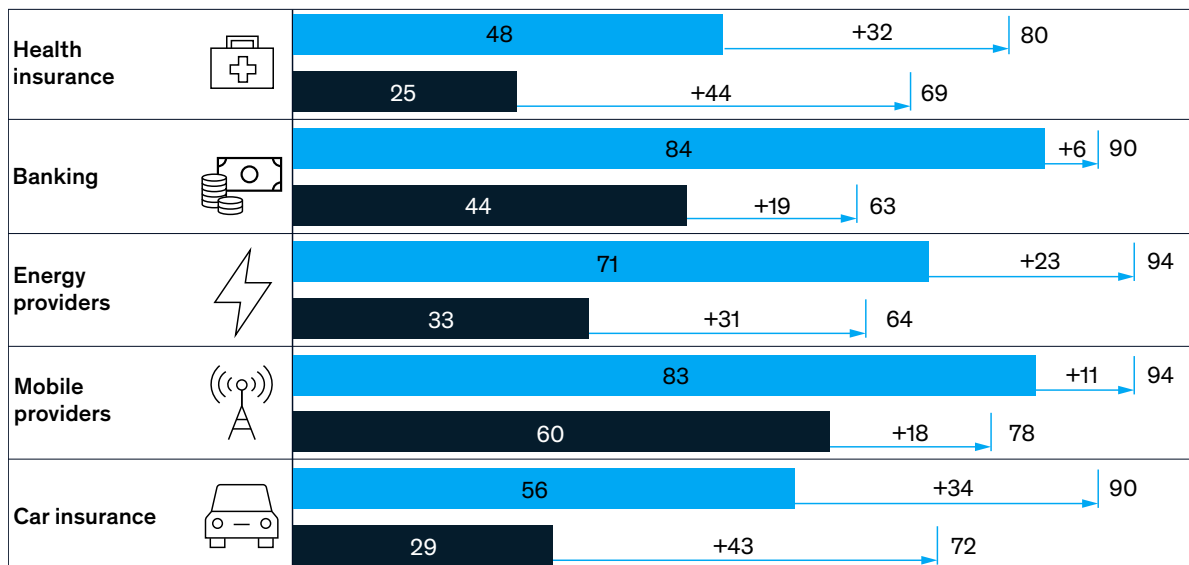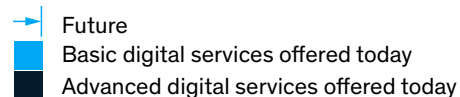### What it takes to become a leader in digital customer experience

Technologies and practices are now readily available to help even those with a moderate level of digital maturity transform the customer experience. Following are some examples:

— *Develop the digital offering in partnership with the customer.* Companies cannot afford to wait until a new service is launched to determine if they have hit the customer's sweet spot. Instead, digital leaders involve the customer

Exhibit 4

Few service companies have advanced digital offerings.

Current offer and future demand of digital services, %
What kind of digital services does your service provider offer today?
Which should they offer in future?

→ Future
■ Basic digital services offered today
■ Advanced digital services offered today

Health insurance		48	+32	80	
		25	+44	69	
Banking		84	+6	90	
		44	+19	63	
Energy providers		71	+23	94	
		33	+31	64	
Mobile providers		83	+11	94	
		60	+18	78	
Car insurance		56	+34	90	
		29	+43	72	

Source: McKinsey TECE survey, February 2019, n = 3,610

directly in the design and testing process through cocreation exercises and continual-feedback loops. Many effective insights come from methods that are both quick and relatively inexpensive to organize, such as customer and market surveys as well as small focus groups and ideation sessions. McKinsey research[3] shows that establishing design teams that involve a mix of expertise across the business, including marketing, customer care, and IT, as well as the customer, speeds development and derisks the outcome—offering the shortest path to the best result.

— *Let use cases guide the technological foundation.* Given the heady pace of technological advances, there can be the temptation to overreach by investing in multiple initiatives. But that approach adds time and complexity and often spreads budget and resources too thinly. Instead, we recommend that companies prioritize two or three high-

value use cases that can provide strong near-term differentiation and business impact. The use-case lens helps businesses identify best-fit solutions that balance suitability, feasibility, and impact and create a service blueprint that supports the customer journey end to end. That same focus can also help businesses examine their current IT architecture to determine where the existing environment needs to be modified and what back-end integration is required to support new offerings at scale.

— *Create a comprehensive adoption plan.* Although adoption has to be nurtured actively, companies often overlook this step. A thoughtful launch plan should encompass education and awareness building among both customers and employees, with a mix of in-service or branch-based promotions and email, online, and other outreach. In addition to employee training, companies should create incentives that build interest and engagement. External outreach

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[3] Kent Gryskiewicz, Hugo Sarrazin, Conrad Voorsanger, and Hyo Yeon, "How concept sprints can improve customer-experience innovation," March 2018, McKinsey.com.

should be similarly comprehensive, with promotions and messaging tailored to different audiences and channels. Companies that take a disciplined approach to planning their adoption often see the greatest returns on their digital experience investment.

Digitized customer journeys can help companies improve their own bottom-line health

A German health insurer wanted to develop a new membership onboarding journey that would create a unified customer experience across channels and improve operational efficiency. To speed development and avoid missteps, the insurer held an ideation session with customers and employees at the beginning of the project. That workshop helped the insurer get a sense of typical user needs, understand where digital features and self-service options would be appealing, and where human support would be most helpful. Those insights guided the journey design and the technology build that followed.

The result was a streamlined membership application process that customers could initiate over the web or their mobile devices, engaging call-center agents over chat or through co-browsing (browsing a website together) in addition to traditional phone and email if they had questions. A unified contact-center platform aggregated customer phone, chat, and email interactions through one system, allowing employees to access customer histories and "recognize" customers across channels. The back-end dashboard helped employees fast-track membership applications and flag missing documentation quickly. The redesigned journey automated more than 600 steps, freeing resource capacity and cutting front-office work by 70 percent and back-office work by 80 percent.

As part of the launch, the insurer prepared an external marketing campaign for customers and an internal training program for employees. Online advertising, website notices, and other outreach drove a 70 percent increase in the number of customers initiating membership applications using the new system. Employee incentives, such as friendly competitions among customer-care teams, accelerated use and adoption of the new dashboard.

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Technology is core to any improvement to customer experiences in service industries. But the winners are those that create a smart portfolio of basic and advanced digital offerings that can deliver what customers actually want.