



Higher satisfaction at lower costs: Digitizing customer care

By: Francesco Banfi /// Boris Gbahoué /// Jeremy Schneider

Does it make a difference whether telecoms players handle customer interactions online or via traditional channels? The answer may surprise you.

Handling customer issues online might seem like a simple incremental addition to traditional call centers and retail stores, but McKinsey research shows that, done well, it can represent a paradigm shift in customer satisfaction. Digital customer care (“eCare”) responds to consumer demand for easily accessible, highly rewarding multichannel interactions. In one example of many, one leading mobile operator employed eCare initiatives to reduce their total call center volume by 20 percent in just eight months, lowering costs significantly while elevating their net promoter score (NPS).

McKinsey conducted its first eCare consumer survey in the second quarter of 2012 to more fully explore eCare dynamics. The survey addressed 2,000 respondents in France – customers of the main telecoms operators in that country. Its key focus was on understanding the differences in customer service between digital and traditional channels for telcos and on identifying roadblocks to adopting digital channels.

Why digital channels matter

The advent of digital channels has changed the way consumers communicate and search for product and service information. Take France as an example. An NM Incite survey showed that consumers increased their use of social media by 17 percent between 2010 and 2011, while their use of short message service (SMS) texting, e-mail, mobile phones, and landlines all fell by 8 to 11 percent. Digital channels have already become the preferred source for product and service information. Nearly 65 percent of social media users go digital when seeking consumer ratings, 62 percent do so for consumer reviews, and half routinely visit company Web sites. These figures

exceed traditional call center use (47 percent), e-mail (45 percent), or live chat (30 percent).

Another intriguing element in this digital migration is the willingness of large numbers of consumers to proactively extend help to others on the brands and products they love the most. Depending on age group, from 38 to 48 percent of survey respondents agreed with the statement: “I want to help other customers with problems or questions about the brands I love and use.” Harnessing this willing reservoir of digital channel expertise is a major opportunity for telcos.

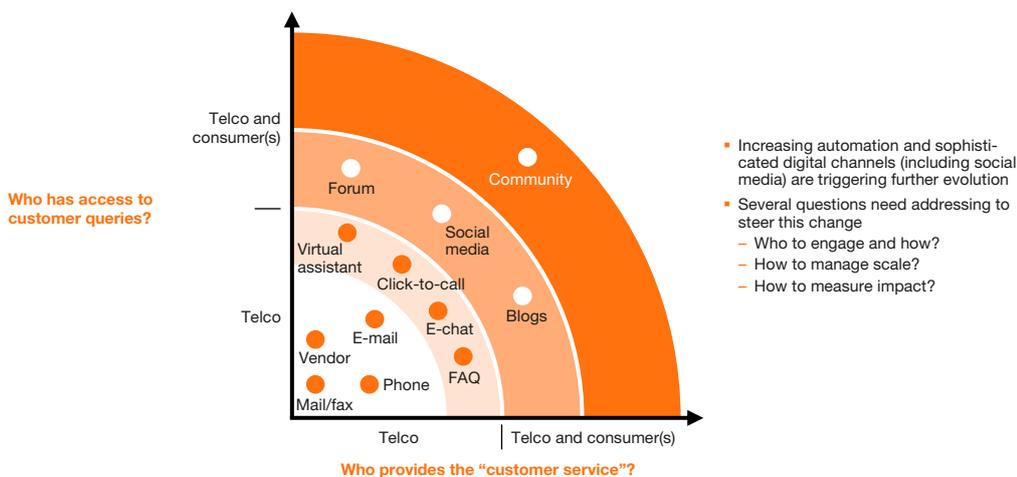
Digital media have moved elements of telco customer care far beyond the company gate (Exhibit 1). Increasingly, consumers themselves are responding to customer queries and providing customer service. Two different levels of this peer-to-peer (P2P) consumer interaction exist. One focuses on ad hoc interactions via forums, blogs, and social networks. The other consists of rich communities, where consumers can crowd-source their questions and where highly engaged brand promoters are recognized and rewarded.

The benefits of best-in-class eCare

Telcos with successful eCare strategies typically realize considerable benefits – not just in the form of lower costs: they also achieve enhanced customer satisfaction, richer differentiation, and higher brand advocacy.

Lower costs. The cost reduction potential of eCare is relatively straightforward. While traditional methods such as regular mail, e-mail, or click-to-call all hover around the call center cost, the costs of digital approaches are estimated to be significantly

Digital media have expanded traditional customer care boundaries



SOURCE: McKinsey

Exhibit 1

lower. Assuming an operative is able to handle multiple chats in parallel, digital chats are only just over half of a call center's cost (the baseline), at 56 percent. Online forums and FAQs cost 12 percent of the baseline, while community solutions are even lower at just 9 percent. The latter figure emerges because case analyses show that even though many queries are answered by community users, some do require a response from telco staff.

One mobile operator, for example, captured EUR 5.75 million in savings using eCare, benefiting from 5,000 online posts published and 940 hours spent online by consumers assisting others during the period analyzed. Some telcos are experimenting with subsidiary mobile virtual network operators that are 100 percent social-media-focused. One such online community responds to queries within 93 seconds on average, with 99.5 percent of all questions solved either straight from Internet searches or the forum.

Higher customer satisfaction. The higher customer satisfaction provided by digital service journeys may be more counterintuitive. McKinsey

tracked the customer service journeys of consumers going through various touch points to resolve commercial or technical issues (see text box). Around 11 percent of respondents who started and ended their service journey through traditional channels (the "traditionalists") declared an overall satisfaction rate of 57 percent. About 74 percent of respondents who had journeys incorporating different mixes of traditional and digital channels stated a satisfaction rate only marginally higher than that of the "traditionalists" (+4 to 5 percentage points). However, the 15 percent of respondents who started and ended their service journeys through digital channels reported that their satisfaction was 19 percentage points higher than that of the "traditionalists." These results are clear evidence that a purely digital journey drives higher customer satisfaction.

Richer differentiation. For a variety of companies, from major online commerce players to personal computer makers, pizza producers, or clothing retailers, high-quality eCare is a key component in their differentiated value propositions. In the US for example, USAA enables their customers to get an

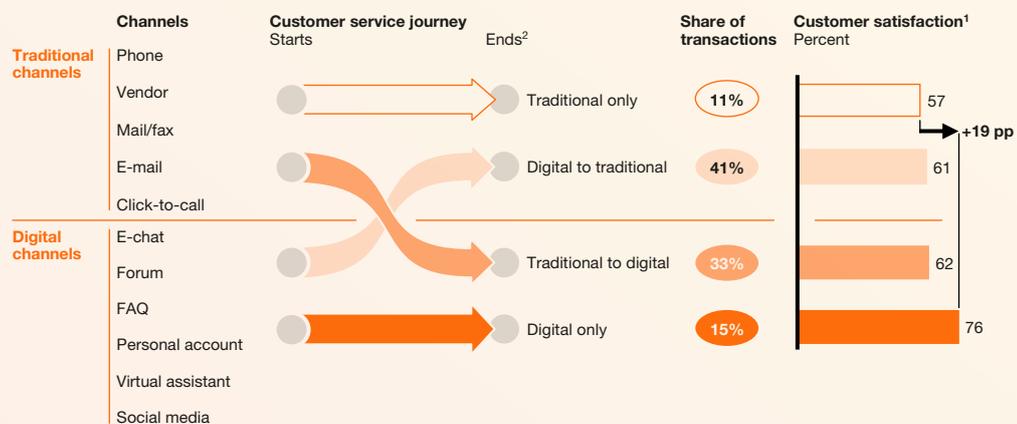
How McKinsey’s eCare survey mapped satisfaction

McKinsey structured its eCare survey around 11 touch points grouped into two categories: traditional channels (such as phone, vendor, mail/fax, e-mail, and click-to-call) and digital channels leveraging digital platforms (e.g., e-chat, forums, FAQs, personal accounts, virtual assistants, and social media).

The best differentiator for customer satisfaction was to distinguish the service journeys depending on the touch points at which they began and finished. Using this approach, we specified four different journeys, ranging from traditional-only ones – involving any number of customer service interactions on classical platforms such as phone, e-mail, or vendor – to journeys performed fully online.

The share of declared transactions they represented as well as overall customer satisfaction were calculated for each of these four customer service journeys.

A purely digital journey drives higher customer satisfaction



¹ Top 3 boxes in percent on a 7-point satisfaction scale
² For traditional to digital (or digital to traditional) journeys, only the first channel switch is used to allocate the journey
SOURCE: McKinsey

auto loan, print a check for the dealer, and insure their new car all within 30 minutes, by implementing a dramatically faster and easier experience that yields a significant competitive edge. In the UK, Tesco has created virtual shops at tube stops where consumers can scan groceries from posters, pay, and then have them delivered to their home. eCare can be a powerful way to deliver a “wow moment” – a truly innovative customer experience that enhances differentiation while increasing customer spending.

Higher brand advocacy. Many companies – including some US telcos – have used customer-driven online question and answer forums to acknowledge and reward their strongest brand advocates among consumers. Verizon, for example, rewards top contributors with public acknowledgment using “top guru” lists and digital badges. Some companies, like Rogers in Canada, go even further and engage this group via early product previews or access to special events. Such steps can powerfully help a company build a base of

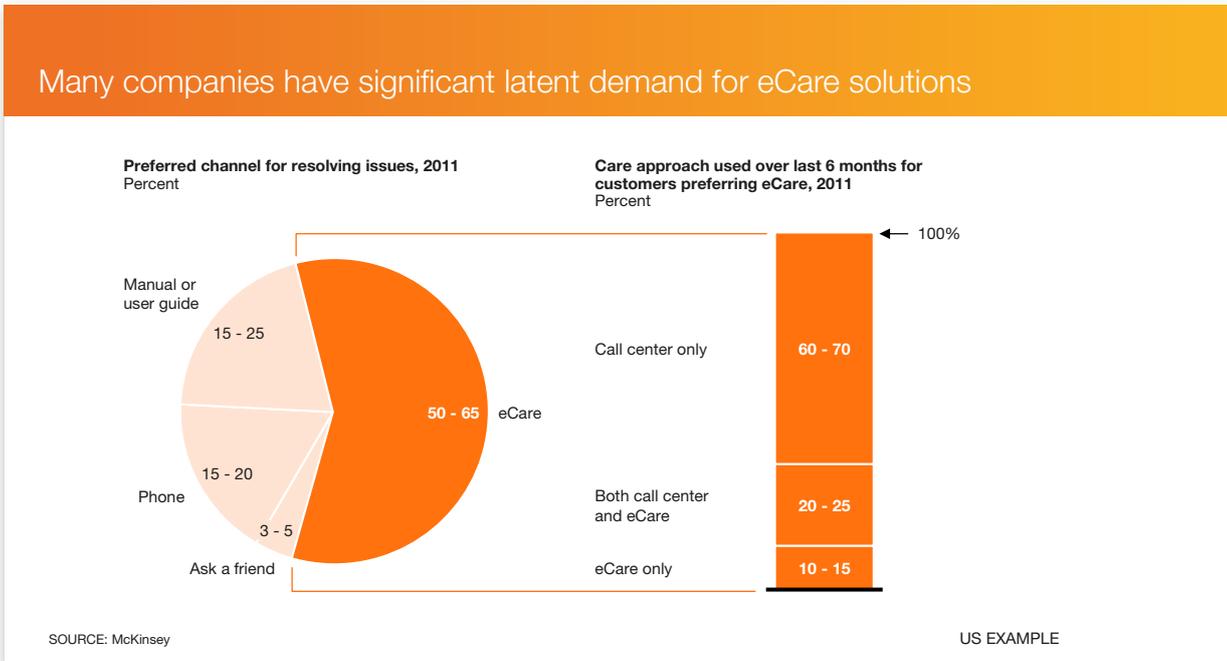


Exhibit 2

highly committed promoters who evangelize the brand and drive referrals.

Despite these benefits, a McKinsey survey showed that while 50 to 65 percent of US telco subscribers said they would prefer to have their transactions handled by eCare channels, only 10 to 15 percent of them routinely use online access to deal with their questions and transactions (Exhibit 2). This points to the need for telcos to improve the awareness and utility of their eCare options among their customer base.

How to launch an effective eCare arm

To enhance the adoption of eCare, the consumer service journey across different channels first needs to be mapped to gain insights into the roadblocks preventing uptake among the customer base. The journey itself can only begin if consumers are already aware of their channel options and know how to use these to find answers to their questions. It might start out digitally, with the consumer attempting to use an online self-service

channel. If the consumer cannot resolve the issue via that channel, he or she may resort to asking an online forum for help. If the forum can offer partial but not resolution, the consumer is then likely to contact a traditional call center for assistance, where an agent works with the customer to completely resolve the problem.

Telcos can analyze this process quantitatively to locate “pain points” where consumers change channels before they can move on toward resolution. Eleven channels were identified in our survey, and eleven attributes tested to derive their importance in channel choice. These included aspects such as ease of finding where to connect, call, or go; completeness/accuracy of the answer; and level of expertise demonstrated in the reply. This analysis highlighted where and why pain points occur, and how to overcome them.

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Rapid progress can often be made without having to invest

immense amounts in systems if this approach is leveraged. The majority of customers are already registered for or are already using digital channels at most companies. However, a typical pattern is that they largely limit their use to a few simple transactions, such as checking balances or paying bills. The challenge is to broaden awareness and usage. As an illustration, 56 percent of our survey respondents started their customer service journey via a digital touch point. Of them, 41 percent eventually switched to a traditional channel to finalize their journey. Understanding and overcoming these roadblocks could significantly increase the penetration of eCare.

One approach is to strengthen or establish a digital use leader – generally a simple frequent usage occasion – to bring customers back to the site and create meaningful points of engagement. Another is to build needs-based customer segments, often aligned to customer life cycle, key events, or level of interest in technology. The largest opportunities are then identified for each segment, analyzing the funnel, call volumes by issue area, and eCare completion rates. The greatest near-term opportunities mostly come from expanding the usage of otherwise digitally-savvy customers.

Targeted, CLM-like marketing can also drive consumer awareness and trial of priority features. Such initiatives might range from dynamic highlights on the landing page to “Did you know ...?” bill inserts or online customer messaging all the way to call center scripts pointing out eCare capabilities.

Leaders interested in stoking their own eCare transformation must recognize that this digital service revolution is moving beyond traditional online capabilities, increasingly spanning channels such as mobile or tablet apps plus on-screen TV. Telcos should lock in the skills and strategies they need to proactively expand their eCare competencies and position themselves to capture multiple benefits.



Bolstering options for having consumer issues resolved entirely via digital channels can dramatically improve a telco's customer satisfaction scores while simultaneously reducing costs. But achieving this kind of transformation means rethinking the entire way telcos work with their customers. McKinsey's eCare approach can help leaders develop a digital service strategy rooted in fact-based analyses along with tried and tested initiatives.



Francesco Banfi

is a Principal in McKinsey's Paris office.
francesco_banfi@mckinsey.com



Boris Gbahoué

is an Associate Principal in McKinsey's Paris office.
boris_gbahoue@mckinsey.com



Jeremy Schneider

is a Principal in McKinsey's New York office.
jeremy_schneider@mckinsey.com