The Digital Tipping Point:
How do organisations balance the demands for digital and human customer service?

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Foreword

It is both exciting and unnerving to participate in today's business climate – a climate marked by – changing customers, rapidly evolving technology and business model disruptions. The disruption is on course to continue bringing far reaching changes with a broad ripple effect on an organisation's most valuable asset – its customers.

The effect of these changes are being felt at the point of consumption – by the end customer. In the race to differentiate, enhance go-to-market strategy and at times reduce cost, technologies such as FAQ, Web portals, and real-time video have all found their way into the customer interaction environment. But what is the ultimate impact and how can brands prevail in a highly competitive environment while satisfying their customers?

The survey results discussed in this paper are extremely valuable for organisations wrestling with the issue of digital versus traditional service options. This is not an era of polarisation. Of voice versus digital or live support versus self-service. These options actually represent a symbiotic relationship; understanding the subtlety involved will yield the right solution for the organisation and its customers.

Organisations now have the opportunity to re-evaluate how they can interact with their customers in a mutually beneficial way. The IDC definition for customer experience takes a comprehensive view where:

> *Customer experience involves the alignment of the corporate goals of the organisation to create an experience (including the product/service) for the customer to meet the expectations of that customer in engagements that result in satisfaction. It includes the orchestration of internal business processes to create a flow that is planned and architected in a manner that makes the interaction from the customer's side as easy, quick, transparent, positive, and as full featured as possible through any customer journey and over the life time of that relationship.*

The two concepts that are of particular importance are that there are individual journeys and that this is a relationship that can span multiple interactions over a period of time. The survey results shed light on this phenomenon where the respondents identified different channel preferences for certain customer enquiries. There are different requirements for different interaction types, stage of the customer journey, complexity of the enquiry and customer preferences.

Ultimately, all channels need to be present. It will not be a landslide to digital or back to voice but a waterfall effect. Just like television didn't eliminate the need for radio, so too, digital will not eliminate the need for agents.

The opportunity is at hand for leaders to consider the culture of customer engagement, how they will execute on it and what it means to their competitive differentiation. As the survey results indicate, there is a need to look past the top line results of preference for the voice channel and ask 'why?' What is deficient in the current offerings and how can an organisation bridge to the customer's expectations?

Mary Wardley, Vice President, Enterprise Applications and CRM Software, IDC

Executive Summary

Digital disruption is changing business. The rise of smartphones and the mobile web has helped organisations reach customers and audience segments they never thought possible. Yet, while digital services may have created new opportunities for organisations, it is not without its challenges.

Verint's survey and white paper "Customer Centricity – The Rules of Engagement" last year showed there is a disconnect between customers who want highly personalised service and those who just want the basics done well. Today, many customers now consider digital elements, such as an email address or a website, a basic service. But this doesn't mean there isn't room for improvement when it comes to digital customer service and personal interactions.

The organisations that embrace digital may be on the pathway to success, but those who do so at the expense of traditional customer service risk falling behind. So how do brands know how, when and what to invest in when it comes to digital and traditional channels? And when do they need to tip the balance in favour of one or the other?

This paper seeks to answer the question: how do businesses get the balance right between digital and human customer service? To do this, more than 24,000 respondents across 12 countries were questioned by Opinium Research LLP, a UK-based research agency. Verint additionally polled more than 1,000 businesses as part of the study.

Key Findings

While cost is certainly an incentive for brands looking to adopt digital methods and automate elements of their customer service, it may come at a price. Organisations that rely too much on digital channels risk missing out on ongoing and meaningful relationships with customers. Overall, our research highlights that:

- Consumers want a human element to remain part of customer service.
- Those who receive more "human" or traditional customer service display more positive behaviours towards brands.
- The complexity of the request heavily influences whether a customer will choose a digital or traditional channel.
- Organisations are aware of the importance of the human touch in customer service, yet most business leaders are planning to implement more digital service options.
- The younger generations are driving demand for digital channels, but for digital customer service to really succeed, it needs to provide a more human experience.

Defining Generations

This white paper explores the differences in responses between age groups. For the purposes of this paper, Millennials (also commonly referred to as Generation Y) are aged between 18-35, Generation X is aged between 36-50, Baby Boomers are aged between 51-70 and the Silent Generation is anyone aged over 70.

1. Understanding the Tipping Point

What Customers Want

With the rise of digital communications tools and social media, there has been a natural demand for customers to be able to communicate with brands via multiple channels. Now, they consider email and brand websites as basic-level service channels. However, when given the choice of how they would like to interact with organisations, picking up the phone (24 percent) or going in store (23 percent) are the most popular options. Consumers like to be given the ability to manage their accounts online (22 percent), while email is the next most popular digital channel with 14 percent.

The communications channels that are generating buzz, such as Facebook, Twitter or mobile apps, do not perform so well when it comes to customer contact. Only three percent of consumers say they prefer to contact organisations via social media and nine percent via mobile apps. Looking across regions, consumers in the UK and US prefer to contact their service providers via online account management tools (34 percent and 38 percent respectively), while French, German and Japanese consumers prefer to go into a store or branch (36 percent, 42 percent and 22 percent respectively).
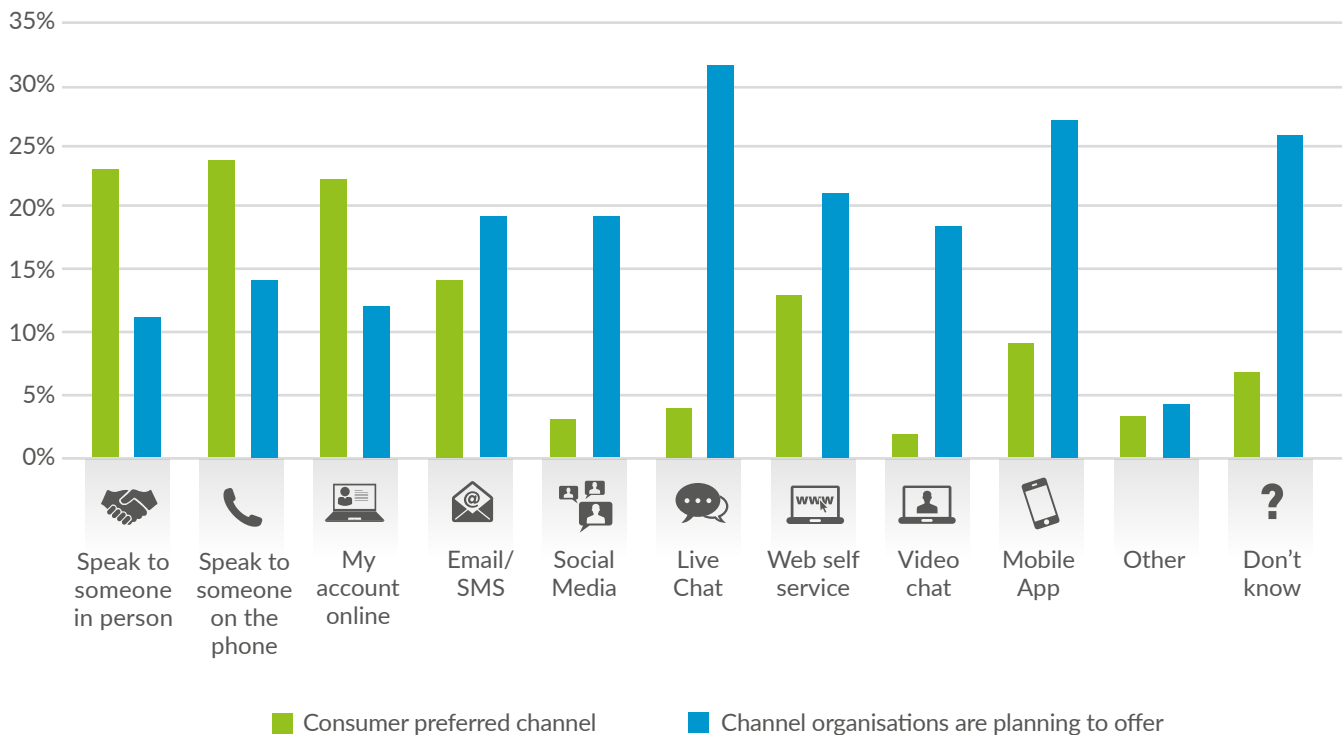
Looking across verticals at preferred channels, online account management platforms are most popular with banks and credit card providers – not surprising given the maturity of online banking. Using the phone, however, is most popular for insurance providers, home telephone, broadband and cable operators, as well as utility companies, such as electricity, gas and water.

When asked which communication channel consumers would prefer brands to offer, the most common responses are in store (15 percent), online account management (15 percent) and speaking on the phone (14 percent) – a clear indicator that customers want an element of human interaction to remain part of the customer service experience. Consumers in the UK and US again champion the use of online account management platforms, with 20 percent of respondents in both countries wanting organisations to add more of these tools. Online account management is the most common request of organisations in India too, with 22 percent. Demand for mobile apps is highest in Mexico (19 percent) and South Africa (18 percent). On the whole, people are getting used to the idea of live chat (10 percent) and mobile apps (11 percent), while demand for other digitally driven tools is much lower, with six percent of consumers wanting brands to offer video chat and five percent wanting social media channels to engage with brands.

How This Differs Based on What Organisations Plan to Implement in the Future

When we asked businesses what channels they are planning to invest in, live chat (32 percent) and mobile apps (27 percent) score highest. And in contrast to consumers' preferred options, businesses reported they are investing least in traditional channels – that is in branch and telephone contact – demonstrating a desire to lead customers to a digital experience.

Figure 1: Consumers' preferred communications channel compared with what businesses are planning to offer

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- Consumer preferred channel
- Channel organisations are planning to offer

Emphasising that brands must continue to invest in more interpersonal channels, such as the phone or in store, almost three quarters (74 percent) of respondents say they don't like dealing with companies that don't provide a phone number for them to contact. This rises to 83 percent in South Africa and 79 percent in France. However, the figure is as low as 64 percent in Germany. There is also a healthy dose of scepticism towards some digital channels with almost half (49 percent) of consumers worldwide admitting that they think their enquiry is likely to get lost or ignored when they contact a provider over email.

Clearly customers prefer a human element within customer service. The question is why?

Globally, approximately two thirds of consumers say it is because they are more likely to negotiate a better deal, and receive good service generally, when engaging with a service provider in person.

Meanwhile, businesses appear to be overestimating their customers' preference for digital channels. In contrast, just over half (56 percent) of businesses believe customers get better customer service when speaking to someone in person, either in store or on the phone. In addition, seven in ten businesses think customers prefer to use mobile apps, email or SMS because it allows the customer to contact them "on the move," compared to just 44 percent of consumers who said this.

It's hard to argue with the popularity of digital tools and social media, given that Facebook has more than 1.7 billion monthly active users[1]. If these tools are so popular to communicate with friends and family, why do we still prefer a human element in customer service situations?

It all comes down to complexity.

[1] Wikipedia (2016), Facebook, accessed: https://en.wikipedia.org/wiki/Facebook
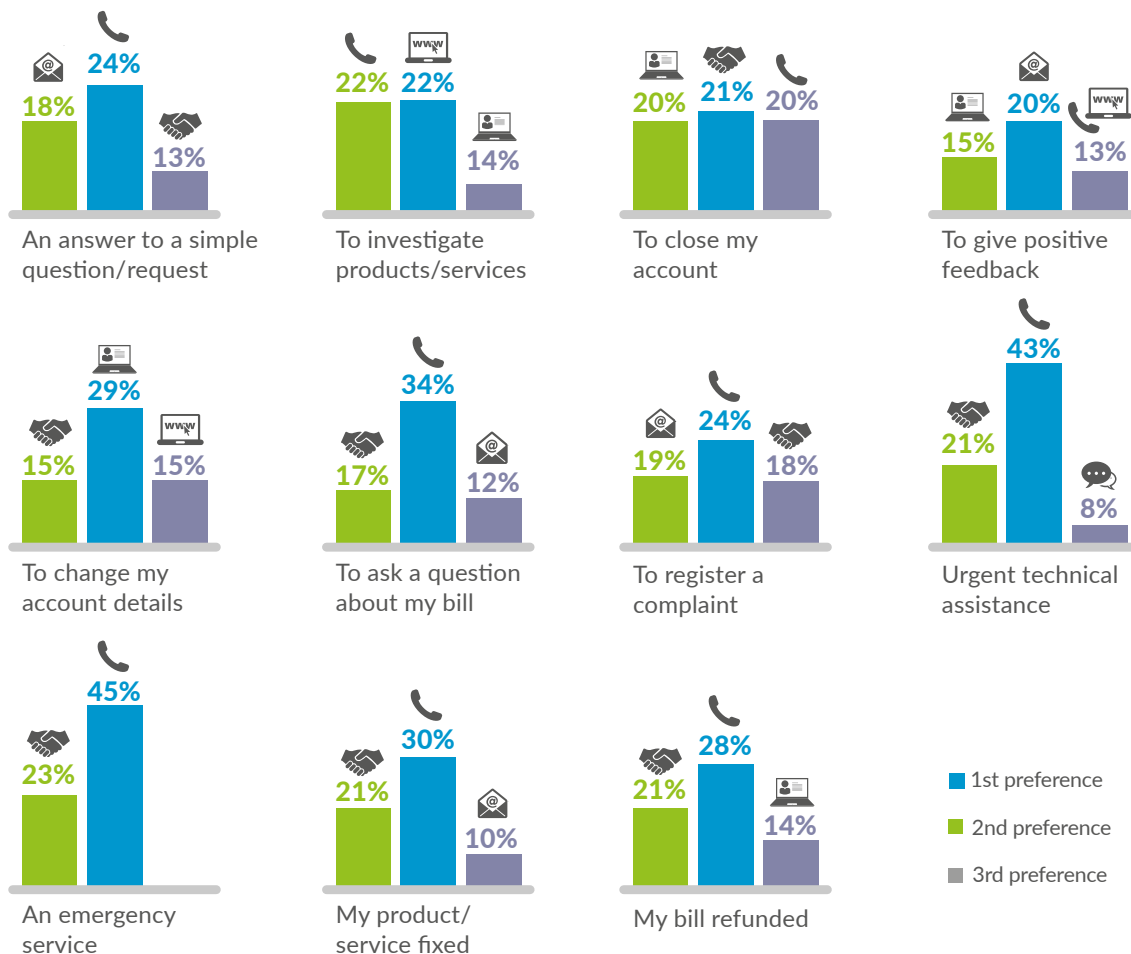
Man vs. Machine?

Interacting with a brand or service provider can be complicated, and it requires empathy, emotional intelligence and an ability to process information with a broad set of parameters. When we take into account the complexity of a request, we start to see more scenarios where digital customer service becomes the preference.

When asked how they would interact with their service providers in a fairly simple customer service request, 64 percent of consumers will choose digital channels. While the phone is the most popular option (22 percent), email comes a close second (19 percent), while online account management (13 percent) and web self-service (12 percent) round out the most popular channels for simple requests. As the requests become more complicated, the reliance on human interaction becomes even greater. For fairly complex enquiries, 60 percent of consumers will choose human interaction. Phone is the most popular (36 percent), while going in store ranks second (24 percent), still way ahead of the leading digital channel – email – with 10 percent.

When the request is considered complicated, more than two third (67 percent) of consumers prefer human customer service. More than a third (34 percent) go in store, while the phone comes next (33 percent). The nearest digital channel is email at seven percent. However, when we look at very specific customer service situations, we start to see digital tools become more prominent, and the relationship between complexity and dependence on human interaction becomes clearer.

Figure 2: Consumers' channel preferences based on certain customer service situations
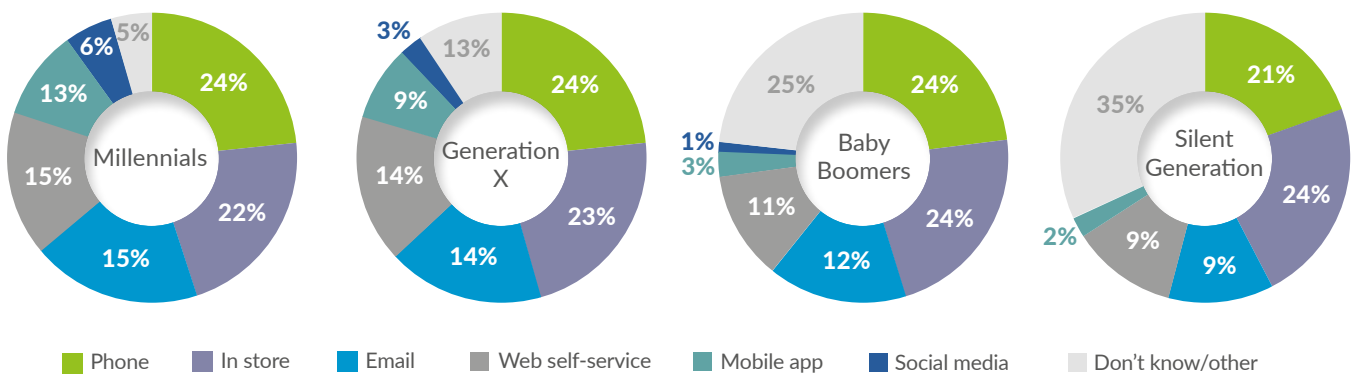

An answer to a simple question/request — 18%, 24%, 13%

To investigate products/services — 22%, 22%, 14%

To close my account — 20%, 21%, 20%

To give positive feedback — 15%, 20%, 13%

To change my account details — 15%, 29%, 15%

To ask a question about my bill — 17%, 34%, 12%

To register a complaint — 19%, 24%, 18%

Urgent technical assistance — 21%, 43%, 8%

An emergency service — 23%, 45%

My product/service fixed — 21%, 30%, 10%

My bill refunded — 21%, 28%, 14%

Legend:
- 1st preference
- 2nd preference
- 3rd preference

Speak to someone in person   Speak to someone on the phone   My account online   Email/SMS   Live Chat   Web self service

2. What is Influencing the Tipping Point?

Rise, Digital Natives

With more than 3 billion internet users and 1.5 billion smartphone users worldwide[2], digital communications represent a valuable gateway for brands to reach new customers. But clearly, customers prefer to engage with brands in person, such as the phone and in store. So who is actually driving demand for digital tools? Is it a case of customers looking to engage on new channels, or is it organisations trying to move customers on to new channels in a bid to save costs? Actually, it's both.
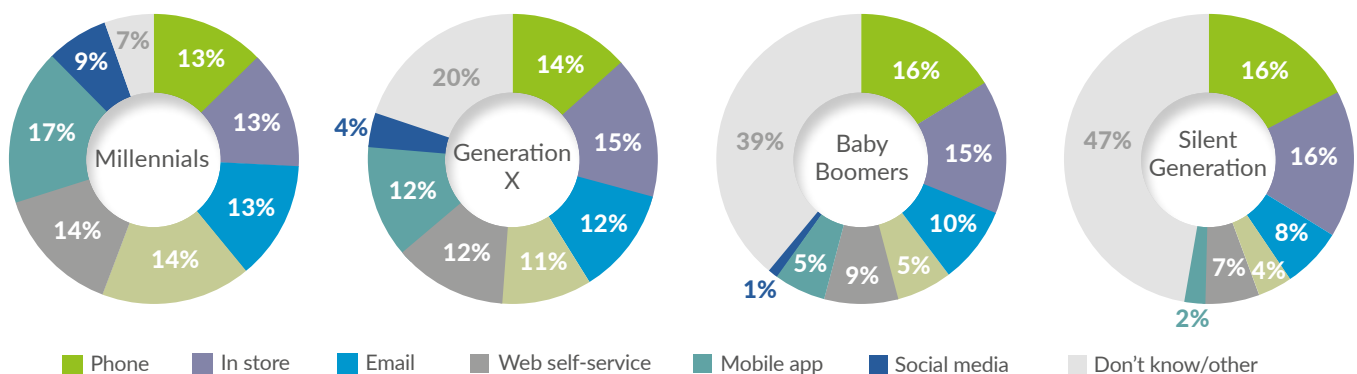
The research shows that, perhaps unsurprisingly, younger people are the driving force behind the shift towards digital communications channels. While on average, the most popular first preference across generations is to pick up the phone or to go in store, digital channels rank much higher in second and third preference for Millennials and Generation X, as illustrated by the graph below.

Figure 3: Preferred Channel by Generation

Legend: Phone, In store, Email, Web self-service, Mobile app, Social media, Don't know/other

The same trend can be applied to channels they want brands to offer. Millennials want more digital tools such as mobile apps and online account management tools, while Baby Boomers and the Silent Generation prefer more phone and in store services.

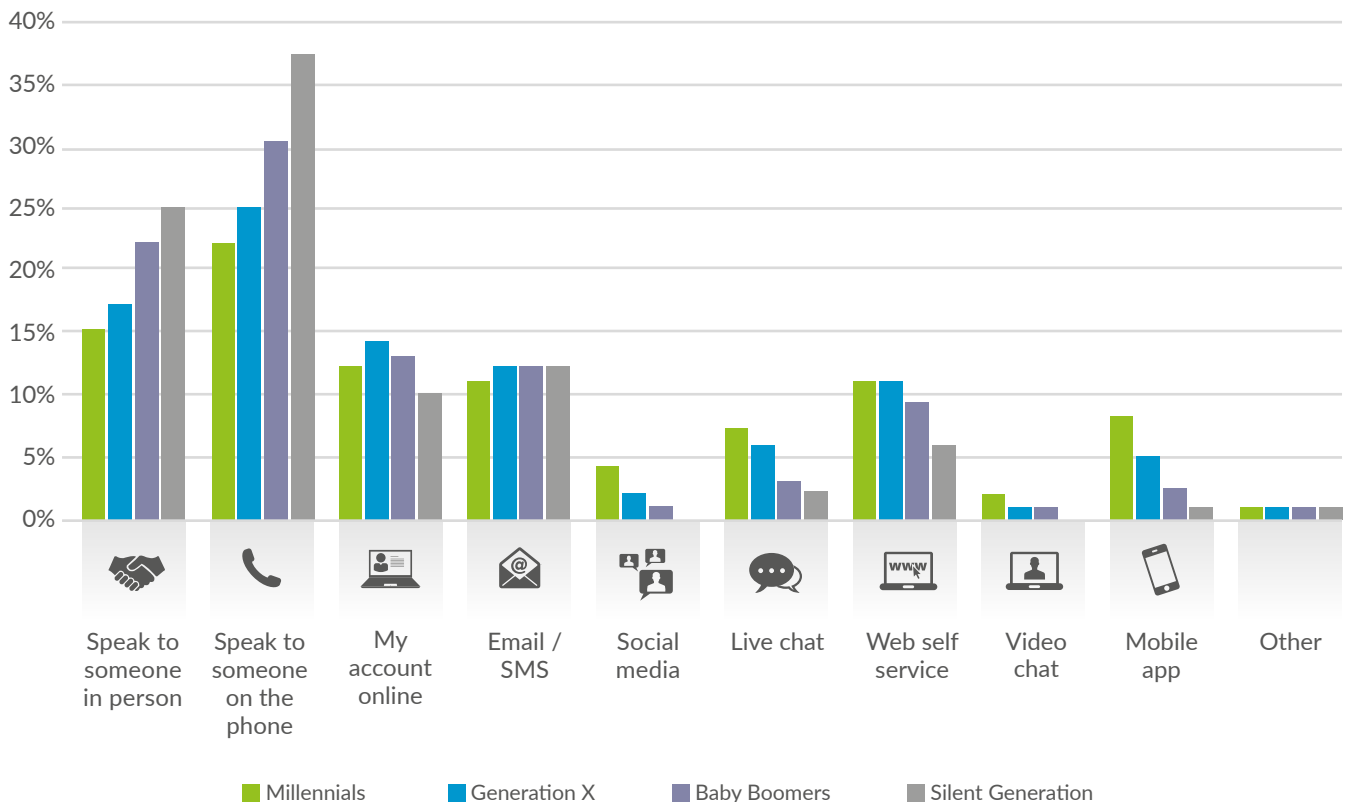**Figure 4: Service Channel Wanted Across Generation**

Legend: Phone, In store, Email, Web self-service, Mobile app, Social media, Don't know/other

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2   Worldwide Smartphone Forecast, 2016–2020: https://www.idc.com/getdoc.jsp?containerId=US41084216

Looking at customer service situations, 30 percent of Baby Boomers and 37 percent of the Silent Generation will pick up the phone when they are looking for an answer to a simple question or request. In fact, 17 percent of Baby Boomers and 20 percent of the Silent Generation will go and speak to a person in store or a branch for the answer to a simple question. For Millennials, the most popular option when addressing a simple request is to either phone (18 percent) or send an email (17 percent) to their service provider. Generation X also prefers the phone (23 percent) and email (17 percent). Similar trends are found when investigating new products, Baby Boomers and the Silent Generation are happy to pick up the phone or go in store, while Millennials and Generation X prefer web self-service.

There is more convergence between the generations as customer service requests become more detailed or intensive. For example, when closing an account the most popular choices across generations are email and the phone. Similarly, when it comes to giving feedback, email and phone are the most popular channels across generations. However, Millennials are far more likely to use social media to give feedback (10 percent), while Baby Boomers (16 percent) and the Silent Generation (24 percent) will still go in store. When it comes to asking questions about a bill, seeking a refund or urgent technical assistance, picking up the phone is the clear preferred channel across all generations, as illustrated in the table below.

Figure 5: Channel preferences of generations, averaged across customer service situations

What's Holding the Digital Experience Back?

Given that Millennials are the long-term customers of the future, it makes sense that digital channels are implemented to appeal to them. However, our research shows that not everyone is ready to embrace digital. Nearly two thirds (64 percent) of all consumers polled say they believe that it is more convenient and they get better service when engaging with organisations on the phone or in a store. Additionally, 68 percent of consumers are likely to negotiate a better deal when they engage with a service provider over the phone or in store. This rises to 78 percent in Mexico and 74 percent in France, while only 51 percent of Germans agree.

The overall experience needs to improve before more customers will fully participate on the digital journey with organisations. When asked, 67 percent believe that customer service online and via mobile devices should be "faster, more intuitive and better able" to serve their needs. Meanwhile, only 44 percent of consumers say that digital and self-service customer service options provide a better overall experience. This is as low as 25 percent in Japan. In contrast, 75 percent of Indian consumers believe digital and self-service channels provide a better overall experience.

Businesses acknowledge they need to work harder in this regard too, a significant 91 percent of organisations surveyed in our B2B survey said that customer service online and via mobile devices needs to be faster, more intuitive and better serve customer needs.

Convenience has been touted as one of the greatest drivers of the digital revolution, allowing people to contact organisations whenever they want – in the comfort of their own home or on the move. The popularity of internet banking and mobile banking apps is testament to this.

However, the research shows that, given that the digital customer service experience needs improvement, customers' expectations have changed. Less than half (44 percent) use email, SMS or mobile apps, so they can contact organisations whenever they want or while on the go. Similarly, 56 percent of consumers like the option of using virtual assistants and online chat because they get faster resolutions to their queries. Perhaps one of the major barriers that is holding back the digital customer service experience is the issue of authentication, albeit advancements in fingerprint authentication and voice biometrics are helping improve this. More than six in 10 (62 percent) wish password and authentication processes could be easier and faster.

A Resounding Call for a Human Element to Remain

When asked about the future of customer service, the results are clear. The vast majority (83 percent) believe that speaking to a customer service representative on the phone or in store will always be important. This is because, ultimately, humans are able to process many pieces of information at once. They are able to manage requests with broad parameters, while picking up on non-verbal cues and displaying empathy and emotional intelligence.
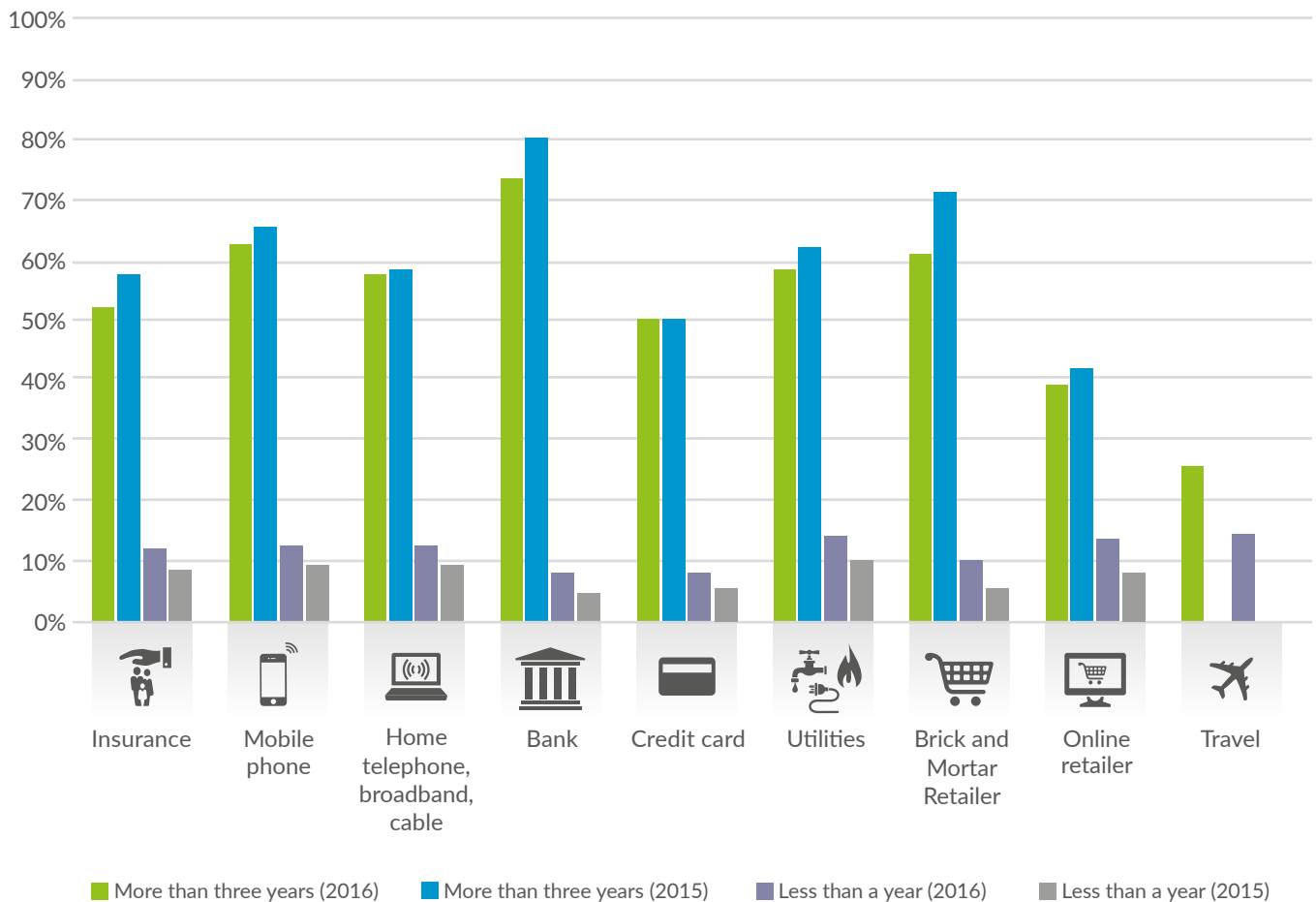
3. The Influence on Customer Behaviour

The Human Touch Positive Effects

As we explored last year in "Customer Centricity – The Rules of Engagement", there is a close relationship between providing a good customer experience and your customers displaying positive and valuable behaviours towards your brand. These behaviours include repeat business, signing up for loyalty programmes, and publicising positive reviews and recommendations about an organisation.

Looking at customer retention across all sectors surveyed, more than half (53 percent) of consumers have been with their service providers for more than

three years, while 11 percent have been with their providers for less than a year. This is a decline in numbers from last year's study, which found that 61 percent of consumers had been with services providers for more than three years and seven percent for less than a year. Looking at verticals, banks maintain the highest customer retention, with 73 percent staying with their bank for more than three years, a 9.5 percent decline from 2015. Meanwhile, eight percent report they have been with their bank for less than a year, a 100 percent increase from 2015 – indicating switching is on the rise. In fact, this is true across all sectors.

Figure 6: Customer retention figures, across all vertical sectors

But what influence do digital or more human channels have on customer behaviours? Retention is one factor that could indicate loyalty, but there are several other important actions that organisations want their customers to perform in the journey to building ongoing relationships. The research reveals there is a discernible difference in terms of positive customer behaviours between digital and human customer service channels. People are far more likely to respond positively towards a brand after engaging on the phone or in store. This may not seem all that surprising, as few people feel compelled to thank a computer for doing something for them. Nonetheless, when a customer service agent goes the extra mile to help, consumers are much more likely to express some gratitude.

When consumers have a good customer service experience on the phone or in store, they are more likely to behave positively towards a brand, than when online. They are:

- 38 percent more likely to renew their product or service, even if it isn't the cheapest option

- 27 percent more likely to sign up to an organisation's loyalty programme

- 19 percent more likely to leave a positive review

Furthermore, consumers are 57 percent more likely to do nothing following a positive customer experience on digital channels than in person.

While it's a given that the human touch has positive effects, it doesn't stop there. Customer expectations have increased. For example, four in five customers now want services personalised to them and their interests. This creates a challenge for many organisations because, in order to provide a highly personalised offering, they need to have a greater understanding of their customers' needs, histories and preferences. By collecting, analysing and acting upon the data gathered from customer and employee interactions, organisations are better equipped to do this. However, it is clear that customers are concerned about the use of this data and their privacy. Almost nine out of 10 consumers (89 percent) want to know how secure their personal information is, while 86 percent want to know whether their data will be passed on to third parties for marketing purposes. This is as high as 98 percent in South Africa and 96 percent in Mexico, while Japanese consumers are least concerned, with 70 percent.

Businesses seem to understand the roles that trust and transparency play in building positive relationships with customers. A substantial 94 percent of businesses polled agree that it is important to inform customers that their data is being kept secure, and 96 percent say they understand the need to tell customers if their data will be passed on to third parties for marketing purposes. They need to help ensure these high standards are maintained, as one misstep with a customer's data can have disastrous effects.

Looking Closer at Digital Natives

These results may sound alarm bells for organisations that have invested heavily in digital channels in order to reduce costs or to appeal to new customer segments. However, if we take a closer look at those that are more disposed towards digital customer service, the results start to look a little different.[3]

When they have a good experience, this "digital native" customer segment is, in fact, more engaged when interacting on a brand's digital channels than those consumers interacting with a human. After a positive customer experience online, the digital natives are 50 percent more likely to "talk" positively on social media, 29 percent more likely to sign on to a loyalty programme, 12 percent more likely to leave a review and five percent more likely to renew their product or service even if it's not the cheapest option.

Similarly, the digital natives are more aware of the exchange of data that takes place in order to receive personalised service. When asked about wanting to

know if their data will be passed on to third parties, 84 percent responded "yes," compared to the global average of 86. Meanwhile, 87 percent of digital natives want to know how secure their personal information is, compared with the global average of 89 percent.

On the whole, digital natives are also more content with a brand's efforts to engage with them online. Two thirds (66 percent) believe digital channels, such as self-service and online chat, provide a better overall customer experience, compared with the global average of 45 percent. While it is not surprising that digitally engaged people are going to have a better view of the current customer experience, organisations can take some comfort in the fact that their digital channels are appreciated. This will become even more significant as the spending power of Millennials and the next generation grows, the customer preference for digital channels as means to engage with brands will become even more popular.

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[3] For the purposes of this study, Verint grouped together customers whose first preference was to use a digital channel to engage with an organisation if they have a simple, fairly complex or complicated enquiry, to create a clear picture of how these digitally disposed customers behave. This group has been labelled digital natives for the purpose of this study.

4. Six Steps to Improve the Customer Journey in an Increasingly Digital World

While there clearly are noticeable differences between digital channels and customer behaviour, there is an appetite for digital service amongst customers. The human touch is likely to remain paramount in the short term, however, organisations need to act now to get their digital infrastructure in place so that the online experience meets their customers' expectations. While investment sounds challenging, there is an incentive for brands to do so as digital channels represent a cost-effective way to automate customer service and/or provide customers with the ability to manage requests themselves. This represents a huge opportunity for organisations to reduce costs if they can successfully offer a digital service that all customers embrace. For example, digital customer service can help to reduce reliance on labour-intensive elements of service, and even eliminate the need for branches or shopfronts which are expensive to build and maintain.

How can organisations successfully manage their customers' journey?

1. **Listen to your customers – place the voice of the customer at the heart of everything you do.**

   Companies need to understand which channels their customer groups prefer to use and at which point of the customer journey they wish to use them. By putting a voice of the customer strategy in place, organisations can understand what customers require and offer the appropriate digital or human customer service to meet their needs.

2. **Improve digital services, but not at the expense of traditional engagement offerings.**

   The customer branch, store and contact centre will continue to play a key role for some time to come. Customers want more choice in how they contact service providers, but while digital opens the door to new customers and allows organisations to automate elements of the customer experience, a human touch and personalised service is key to loyal and ongoing customer relationships.

3. **Empower your staff to provide exceptional service and give them the tools to succeed.**

   With human interaction playing such an important part in achieving customer satisfaction and service excellence, facilitating loyal behaviours and delivering personalised service, employees play a vital role. Employees need the tools and data at their disposal that will enable them to understand the customer, apply a personal touch and go the extra mile when they can, while effectively managing workloads in busy periods.

4. **Evaluate the customer experience to better understand customer satisfaction.**

    Companies need to analyse the customer journey, including customer metadata, key buyer behaviours, purchase histories, interactions, previous survey scores and customer journeys, from both structured and unstructured sources. This will give a more rounded picture of their customers and help provide the insights necessary to deliver personalised, more human customer service even on digital channels. It will also help the company monitor improvement trends and customer satisfaction on an individual level.

5. **Align your organisation to optimise customer engagement.**

    In an increasingly competitive marketplace where customers expect brands to be available on more channels, it is more important than ever to make sure the organisation is operating as efficiently as possible. Organisations should use customer insights to improve operations, as well as analyse and benchmark to align internal processes with customer service. In most cases, by benchmarking what optimal customer service looks like, organisations will not only improve service and their bottom line, but also improve employee engagement.

6. **Understand transparency is key to building trust.**

    Customers now more than ever, want personalised service, but for organisations to effectively do this, they must collect and analyse pertinent customer data. Concerns about trust have risen in the past 12 months, so organisations must be open and honest with how they collect and use their customers' data or risk breaking their trust. Adding new, more secure and faster authentication processes, such as biometrics, can help.

Conclusion

There has been much discussion about the rise of digital and digitised communications channels. Yet, as this research shows, human contact is still extremely important. This is because humans are inherently complex, and complex communication requires a human touch. Indeed, the businesses that participated in Verint's study acknowledged that they need to improve digital service options, so that they are faster, more intuitive and better able to serve customers' needs.

The significance of digital communications will continue to grow, as the importance of digitally driven customer segments, such as Millennials and the next generation, becomes greater. There are many factors that influence a customer's engagement preference, from industry sector to complexity of request and other environmental factors. It is not so much that there is a single tipping point where digital or automated service will overtake human customer service, but rather a need for a joined up and integrated customer journey that encompasses choice, trust, security, transparency and personalisation.

Given the importance that consumers of the future place on digital channels, businesses have a real opportunity to act now and establish, advance and evolve their digital proposition. However, organisations need to make sure they strike the right balance between these key elements if they are to successfully transition to more cost-effective, digitally driven customer service.

About the Research

The research was commissioned by Verint from 23 June to 20 July 2016 in association with Opinium Research LLP, a UK-based research company. Interviews were conducted amongst 24,000 consumers in the following countries: Australia (2,000), Brazil (2,000), India (2,000), France (2,000), Germany (2,000), Japan (2,000), Mexico (2,000), Netherlands (2,000), New Zealand (2,000), South Africa (2,000), UK (2,000) and US (2,000). The research was conducted online, in the local language for each area and respondents were incentivised to participate. 1019 organisations participated in an online survey, conducted by Verint from 27 June to 23 September, these respondents were not incentivised to participate.

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