Customer Relations Trends to Watch in 2014.

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Through multiple waves of changing consumer behavior, what did 2013 teach us about how contact centers are changing? More importantly, where will 2014 take the contact center and customer service industries?

Who should read this document?
Customer Care and CRM Professionals, Contact Center and CRM Leaders, Marketing Strategy VP & Directors.

Experience shared.
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Introduction

Welcome

Through a worldwide effort, the “Trends to Watch” study shares the experiences of many worldwide clients, partners, analysts and experts, discussing customer-relationship challenges and aspirations. They told us of their continuing efforts to enhance customer experience, meet escalating customer demands and control costs — and about how emerging technologies are shaping the contact center of the future.

“Cheaper and better” has always been the mantra among customer relations executives; many innovative approaches have been taken to meet these challenges. This year, however, we’re beginning to hear a much more focused message around the overwhelming need to capitalize on customer experience. Consequently, Contact Center professionals are no longer driven solely by cutting costs, but also generating value to enterprises. To deal effectively with this “new” challenge and meet your business objectives, we believe that customer relations professionals and their companies must evolve, and hope that this study will contribute to this new way of thinking.
Study foundational drivers

When studying the trends, it is instrumental to level set on the foundational drivers behind some of the most important changes we have been witnessing in the last decade.

Sitel’s foundation of expertise comes from the constant review and assessment of industry reports, the knowledge gained through the support we provide to many of the largest and best-known brands in the world, and ongoing communication with industry analysts/champions.

It is all of these inputs combined that help our customer care executives imagine and prepare the solutions that will maintain Sitel as a leader in the support world of tomorrow.

While compiling this research, it remains clear that one tenet will always hold true: Consumers are in control and at the center of the service ecosystem. How deep that control is and how companies capitalize on that control is fodder for plenty of industry conversations.

We can simplify this complex ecosystem through the image below:
In addition to consumers, we can see other important components in this ecosystem, such as the “technological innovations” that are shaping the future, the “economy value transformation”, our own companies, and consumer networks.

Each of these components could easily result in an extensive report, but let’s focus on one key element of this ecosystem that is influencing all others: The economy value transformation.

**Experience - The new economy value**

Economy Value has been identified by many as the fundamental change in today’s business environment. To discuss the new Economy Value, we must go back to the beginning, with commodities.

Commodities are things that you grow in the ground, raise on the ground or pull out of the ground: animal, mineral, vegetable. Companies or individuals extract commodities out of the ground, and sell them in the open marketplace. Commodities were the basis of the agrarian economy that has lasted for millennia.

“...Experiences are becoming the predominant offering in our hyper-connected, fast-paced economy.”
With industrial revolution, goods became the predominant economic offering. Commodities became raw materials to make or manufacture goods.

This represented the first, and one of the most important, economy value transformations of our history. We moved from an agrarian economy to an industrial economy.

In the past 50 or 60 years, goods have become commoditized. Goods are treated like a commodity, with little regard for the manufacturer, processes or people involved in determining the quality of a good. In this scenario, price became the only differentiator.

But companies found an antidote to commoditization, and that was customization. Consequently, we moved from an industrial economy to a service-based economy.

Over the past 10 or 20 years, services have followed a similar commoditization trend as had been seen with goods years before. Long-distance telephone service sold on price; fast-food and “all you can eat” restaurants with all their value pricing; low cost flights; and even the Internet are examples of commoditization in the service space. History tells us that it’s time to move to a new level of economic value – the true customization of services.

But the question is: what happens when you customize a service? The shift from a service-based to an experience-based economy is already underway.

The Customer Experience Effect

Historically, business success has been built on relationships, but large-scale industrialization and introduction of IT changed the game. Handcraftsmanship and the human contact were replaced by mass production.

Think about the business impact of a company designing a service that is so appropriate for a particular person. That’s exactly what a consumer needed at that particular moment in time. By doing so, companies not only address the basic needs of their customers but make them say, “Wow!” Companies not only help clients in the moment of truth, but turn a customer contact into a memorable event - into an experience. The result of a “Wow!” experience is a dramatic increase in the propensity of that customer to tell their friends and family – the Net Promoter effect.
According to companies like Watermark Consulting, a stock portfolio of customer experience leaders had a cumulative 43.0% gain in performance over the past five years, compared with a 14.5% increase for the S&P 500 Index and a 33.9% decrease for customer experience laggards (Figure 1). In other words, there is a real ROI story that supports experience as the real differentiator to success.

Customer experience leaders, such as Amazon, Virgin Atlantic, Disney, First Direct, Tesco, Starbucks, USAA, or Zappos, are showing that it’s not good enough to be no worse than our competition; that premium price is not tied to quality. These enterprises are creating “raving fans,” focused on customer experience.

It is clear that the shift to an experience-based economy is occurring all around us. Experiences are becoming the predominant offering in our hyper-connected, fast-paced economy.

For the 6-year period from 2007 to 2012, the Customer Experience Leaders in our study outperformed the broader market, generating a total return that was three times higher on average than the S&P 500 Index.
Customer Relations Trends to Watch in 2014.

In this new and challenging business environment, here are the most significant trends Customer Care and Customer Experience professionals will encounter in 2014.
“... In today’s marketplace, the frustration caused by long hold times and unresolved problems can quickly result in reputational damage, customer erosion and, consequently, lost revenue.”
In the typical networked house, people have more than six connected devices. Research shows that customers don’t want to spend time talking to six different companies or worry about the fine print in warranties.

Figure 4: The new home experience.

In today’s marketplace, the frustration caused by long hold times and unresolved problems can quickly result in reputational damage, customer erosion and, consequently, lost revenue. Yet positive experiences produce repeat buyers with multiple networked devices and services. Research shows that more than 86 percent of consumers would pay more for a product that provides better service.

As such, top-tier companies are now packaging premium services to better attend to their customer’s needs. Sitel’s Premium Technical Support solutions, for instance, creates revenue that can be shared with clients, converting cost centers into solid revenue streams (profit centers) while improving end user satisfaction by as much as 45 percent*.
Premium Impact on Contact Center

**Opportunity to gain competitive advantage.**
This is an exciting opportunity for contact center companies to inject competitive advantages into business teams to create new revenue streams that make Customer Services highly valued by the business. It’s time to move from the “cost center” mindset – Contact Centers are now part of the solution.

**Opportunity to create incremental income.**
We have long searched for the right opportunity to create a profit center inside what has traditionally been a large cost center. Now, out-of-scope calls and out-of-warranty contacts are opportunities to provide an enhanced level of service and capture a fee for the value added, provides better service.

“...improving end user satisfaction by as much as 45 percent.”
“...Customers are creating their own communities to express their discontent. And, with mobility, they can do it where they want, when they want.”
The essence of the customer experience movement is the concept of brands moving from mass communication to mass customization. There are tools and technology to capture and organize customer data and apply intelligence to utilize it in intuitive ways, anticipating customers’ needs and offering value at appropriate times.

But the catch, and the difference from traditional CRM, is that “appropriate times” are not determined by enterprises with advanced customer segmentations schemes. Rather, businesses focused on customer experience must be prepared to support the customer in any channel (e.g. phone call, SMS, email, chat, tweet or post) – often times while they are on the go.

In 2014, and for the foreseeable future, the core objective of customer experience professionals is to understand how to infuse the customer relationship with greater engagement and intimacy to leverage every interaction and drive revenue growth.

Key to addressing this challenge is understanding that consumers aren’t just buyers anymore---they’ve evolved. They’re informed, connected brand advocates (or detractors) interacting with each other to learn before they buy. They trust peer recommendations and reviews over company advertisements and product descriptions.

Through social media, consumers have more opportunities than ever before to express likes, dislikes and recommendations. They aren’t simply following companies, purchasing a product or service---they are engaging and interacting to drive the buying behaviors of others.

For instance,
- On Yelp, they’re detractors or cheerleaders.
- On delivery.com they’re reviewers and advertisers.
- On Spotify, they’re DJs offering music recommendations.
- In Zagat, they are food experts and critics.
- On TripAdvisor they’re travel guides.
- On Amazon, they’re product/service reviewers offering strong opinions about the good and the bad

--- and in product forums, communities and blogs, millions of people are building their own contact center channels.

Consumers who aren’t able to get their problems resolved are not stopping if the companies’ website or phone agents let them down. They are creating their own communities to express their discontent. And, with mobility, they can do it where they want, when they want.
“Consumers aren’t just buyers anymore - they’ve evolved. They’re informed, connected brand advocates (or detractors) interacting with each other to learn before they buy.”

So, what should you do?

Following are a few examples of companies that are successfully enhancing the customer experience.

A leading healthcare products company is tapping into the power of mommy bloggers, allowing them to create a forum to communicate and connect.

Fuelled by customer demand, one of the biggest software brands is escalating its web self-service deployments. They’re enticing customers to engage, as the company see the cost savings, productivity benefits and NPS improvements.

A popular consumer electronics company is doing the same, handling 2-3 percent of global interaction over social media, they have created personalized channels that go to where the customers are - not waiting for them on a Facebook or Twitter page. Again, this is not about me or my “company,” this is about the consumer – real customer-centric approach.

Social Insight. Despite commoditization, technology is finally at a point where buyers can be treated like individuals again. It’s time to create truly personal relationships with consumers and their communities and to leverage these new digital relationships to drive revenue growth.

New tools and processes are required. Solutions enable us to conduct Sentiment Analysis, Expert Analysis, Real-time data mining, 360 degree customer view, Dashboards and more to monitor, engage and extract insights from the voice of the customer over new and rapidly evolving channels.

New agent profiles and training is required for the “voice as last resort” customer. Traditional rules of engagement are out the window, and so are the old expectations of customers. Web and social etiquette are different and the formality of the interaction is shifting. New agent profiles and training are required to meet this new expectation.

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“... The number of people who access the internet via a mobile device will continue to escalate. Mobile is introducing new and more proactive ways to engage the customer.”
Mobile: Everywhere and Anytime

Today social and mobile are interconnected, and this will only increase as technology continues to evolve. In 1983, the state of the art cell phone from Motorola cost $3,500. It weighed a pound and could only make calls! Can you even imagine?

Even 10 years ago, few would believe that most consumers in 2013 would have a mobile device, with high resolution cameras, GPS and Internet access for less than $200.

But the fact is that, by the end of 2013, the number of mobile-connected devices exceeded the number of people on earth, and by 2017 there will be nearly 1.4 mobile devices per capita.

According to Cisco, mobile data traffic will reach the following milestones in the coming years:

- Tablets will exceed 10 percent of global mobile data traffic in 2015.
- The average Smartphone will generate 2.7 GB of traffic per month in 2017—an 8-fold increase over the 2012 average of 342 MB per month.

The use of mobile internet will continue to escalate, with many more consumers accessing with high speed connections. Mobile is introducing new and more proactive ways to engage the customer before, during and after their shopping experience. People are using mobile devices to talk to their friends, to interact with brands, to learn about products, to purchase and just about any other time they need general assistance. It’s a whole new world of opportunities to create positive customer experiences.

Experience shared.
Mobile Implications for Contact Centers

Engage based on context. The mobile possibilities to shape the next generation customer experience are still emerging.

Contact Center capabilities will continue to evolve to match new customer expectations, leveraging the ability to offer or engage based on proximity or even anticipating consumer’s needs (e.g. Support the in-store and out-of-store experience, recommend services and products based on location, offer premium support services, etc.).

Figure 4: Mobile traffic forecast in EB (exabytes)

Source: HP (1 EB = 1,000,000 terabytes)
“... The cloud is reshaping availability and adaptability of important capabilities like recruiting, training, workforce management, call recording, analytics, ACD’s and CRM’s.”
A Cloudy Future

When it comes to technology infrastructure, the days of upfront capital investments in hardware and software are quickly becoming a thing of the past.

Today, applications are being served up on demand in the cloud. Any application in the contact center can be acquired on demand and paid for “by the drink.” There is no longer a need to install equipment or make long term investments in licenses that you may or may not use. The cloud is reshaping availability and adaptability of important capabilities like recruiting, training, workforce management, call recording, analytics, ACD’s and CRM’s.

There’s no lack of data to support the clear growth trend in the cloud. According to Gartner and IDC, Software as a Service (SaaS) and cloud-based business application services will grow substantially 19%\(^\text{ii}\) to 24%. IDC also predicts that by 2016, $1 of every $5 will be spent on cloud-based software and infrastructure\(^\text{iii}\).

It shouldn’t be surprising that by adding flexibility, scalability and managing cost effectiveness, the cloud growth is expected to continue until it surpasses fixed infrastructure and becomes the standard for organizations.

But what is even more interesting about the cloud services growth phenomenon is who is making the buying decision. IT departments are being taken out of the middle and business functions (Operations, Marketing, HR, Finance) are working directly with SaaS solutions providers. The web access, ease of use, speed, removal of maintenance issue and circumventing the capital approvals process are surfacing new buyers formerly buried under layers of procurement, IT and legal processes.
Cloud Implication for Contact Centers

Any-Contact, Any-Where. The cloud is the enabler of flexibility in handling any-contact, any-where operations without cost prohibitive capital investments. Cloud provides:

a. Increased flexibility with on-demand cloud applications
b. Scalability and access to unique agent skills and languages
c. Cost effectiveness and BCP with a globally diversified portfolio of locations
d. Better positioned to address the seasonal demands (E.g.: Utilities, Retail, etc.)
e. Pay-as-you-go model for applications

Strategic investments in cloud-based services are mandatory to stay competitive for broad-based offshore and work-at-home programs and providers that operate in multiple geographies, industries and service lines.

Figure 5: Worldwide spending on public cloud

Source: Cisco, in Billion Dollars
“... 85 percent of organizations report that they have Big Data initiatives planned or in progress.”
In today’s digital world, it’s fair to say that without information and technology, a business is blind. The amount of data in the world is set to increase by 44 times in 10 years.

An increasing number of companies are using information to understand their customers better and capitalize on that information. In fact, 85 percent of organizations report that they have Big Data initiatives planned or in progress.

Integrated information matters because it is the source of greater business insight; but that’s not the only opportunity.

Recent research conducted by IBM with Top Tier CIOs and CFOs showed that the focus is not only on integrating the information, but ultimately understanding which indicators signal specific outcomes and, to a further degree, what information needs to be available weekly, daily, hourly and in real-time.

Essentially, this is about proactive data governance – formally managing important information and establishing accountability for its accuracy.

Big data initiatives can also establish deeper consumer insights, allowing companies to create more compelling user experiences.

By examining big data, companies can create successful customer loyalty and retention programs, and personalize consumer interactions in meaningful ways – both of which are crucial to strong bottom-line performance.

According to a recent study from Harvard Business Review, a 5 percent reduction in customer defection could lead to as much as a 50 percent increase in profit.
Sharp rise in the significance of Big Data is further evidence of customer focus. Consequently, contact center professionals are no longer focused solely on operational and cost-control indicators but, as one of the key sources of information and data, are becoming more involved in the complex Customer Experience engineering.

These professionals are helping mitigate corporate risk in its many forms - whether strategic, operational, marketing, sales or legal - and feeding business in real time with critical insights about customers.

While real-time metrics such as conversion, call handling time and completion rate can provide a general overview of how your call center is performing, they can’t tell you how satisfied your customers were with their experiences.

By asking for their feedback in real-time, you can gain valuable insight and make immediate improvements.

More targeted interactions offering value at the right moments based on knowledge. By identifying high-margin customers to target for cross selling, upselling and providing higher levels of service, and matching offers that add specific value for each customer, an organization can improve its gross margin mix and customer retention.

Such information helps target customer communications, marketing campaigns and special offers. To stay competitive, companies need to understand not only their customers’ current wants and needs, but also predict future tendencies.
“... The quality of a customer interaction is rapidly becoming one of the top reasons for recommending a company”
In an era where products and services are rapidly commoditized, the customer experience has become the point of brand differentiation. It matters more than ever before – an increasing number of businesses are adding a Chief Customer Officers and Chief Experience Executives to their leadership team\textsuperscript{vi}.

A good customer experience has the power to unlock a lifetime of loyalty and advocacy. A bad one can be relayed across the world with just the click of a mouse. More than 80 percent of customers say they will simply stop using a brand after one bad experience, and 82 percent of customers will communicate their bad service experience with others\textsuperscript{vii}. The quality of a customer interaction is rapidly becoming one of the top reasons for recommending a company\textsuperscript{viii}.

By assessing the current state of operations, mapping the customer journey and exploring use of Omnichannel strategies, Outsourcing companies like Sitel focus efforts on optimizing operating efficiency, customer effort planning & satisfaction and revenue generation, improving Total Cost of Ownership (TCO) and Net Promoter Scores (NPS).

The contact center is often one of the largest costs related to managing engagement with customers and balancing the total investment in the customer experience with the expected outcomes is what Sitel calls Total Cost of Ownership. This growing practice is becoming the pragmatic approach to engineering a brand experience that delivers maximum return on customer investments.
Implications for the Industry

In today’s omnichannel environment, competing means being at the right place, at the right time, with the right offer. This pushes marketing to play its biggest role ever in customer care operations: to optimize touchpoints with granular understanding of customers’ preferences.

While technologies and Sitel’s best practices enable our customers to make strides in improving customer retention, increasing revenues and optimizing total operating costs, it is our people that are make the biggest impact.

Every day, our people tactically execute as close to flawlessly as possible, while strategically thinking about ways to drive continuous improvement.

Additionally we are working with our clients to transform core support processes to identify opportunities for creating revenue.

The objective is to link each positive contact resolution with a value-add offering for additional services, warranties, refills, peripherals and enhancements. 69 percent of business-to-consumer (B2C) organizations surveyed consider contact centers as a critical tool for revenue generation. ix

Consumers have amazing options at their fingertips: information, services and the ability to shop from anywhere via any number of personal technology devices. According to Forrester, more than 40 percent of Western Europeans purchase goods online, with Germany, Switzerland and France all reporting more than 50 percent of consumers doing so. In the U.S., 67 percent of consumers currently shop online, using four or five web outlets. x

Executives around the globe are recognizing that every customer touchpoint must create positive experiences that lead directly to improvements in the bottom line. In recent research, it was noted that companies need to become far more innovative, and consider “rebooting” their strategy to emphasize quality and customer experience, not pricing. In a fast-moving and ultra-competitive marketplace, companies that place focus on customer engagement and experience will win.

69% of B2C organizations consider contact centers as a critical tool for revenue generation.
"... Above all - Listen! Listen to your customers, listen to your business service partners, listen to your competitors, and listen to your experience."
This time next year

In 365 days, reimagine your consumer strategy across the enterprise as a consumer-experience strategy and create the cross-organizational ties to drive it.

The list of possible starting points is long and, sometimes, complex; but we top the list with these ten important initiatives, from vision to execution, that we hope can help you in your challenge to better align your organization with your customers. Good luck and don’t hesitate to contact us if we can help.

1. Create a cross-functional team that will be responsible for, and empowered to review, update and improve your consumer-experience strategy to create premium services and shore-up perception of your base service offerings.

2. Standardize your methodology around how consumer interactions are shared throughout the organization, along with a plan for proactive governance of this valuable information. Redesign your organization’s communication channel and key business metric strategy to align with the holistic consumer-experience, taking customer channel of choice into account. (As one example, First Contact Resolution may be a more effective measure than Average Handle Time.)

3. Establish an environment to test and then deploy technologies that will support your consumer relationship strategy. Omnichannel capabilities with a unified queue, cloud based on demand contact management, and active data analytic capabilities should be considered. Once a multi-year strategy is agreed, update the IT road map and architecture to reflect additional technologies and data sources aligned to the plan.

4. Overlay a data strategy to support the right level of intelligence about channels, VOC and operational efficiency to improve the ROI of your customer experience investment. Identify gaps in your data plan—What are you trying to accomplish as a business and what data do you need to be successful?

5. Truly understand your Total Cost of Ownership at the enterprise level. Identify opportunities to improve Customer Experience, increase revenue opportunities, and optimize costs and investments.

6. Create customer experience champions across the organization, for example, a Customer Experience Officer. Align these champions to your strategic business plan. Provide them a voice and the tools necessary to drive constructive change toward your overall strategy.
7. Work across the organization to determine and prioritize your future strategic questions. Don’t be afraid to ask the hard questions and challenge the status-quo.

8. Use lessons learned from current implementations and industry best practices, including ‘early adopter’ industries, to build your collaboration services architecture.

9. Leverage the expertise of a services partner with a proven track record to design and optimize customer experiences across a broad range of industries.

10. Above all—Listen! Listen to your customers, listen to your business service partners, listen to your competitors, and listen to your experience. Get beyond the day to day fray of business and determine what you need to do to win—then use the tools and experiences above to get there.
Research and Insights
Customer Relations Trends to Watch in 2014.

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