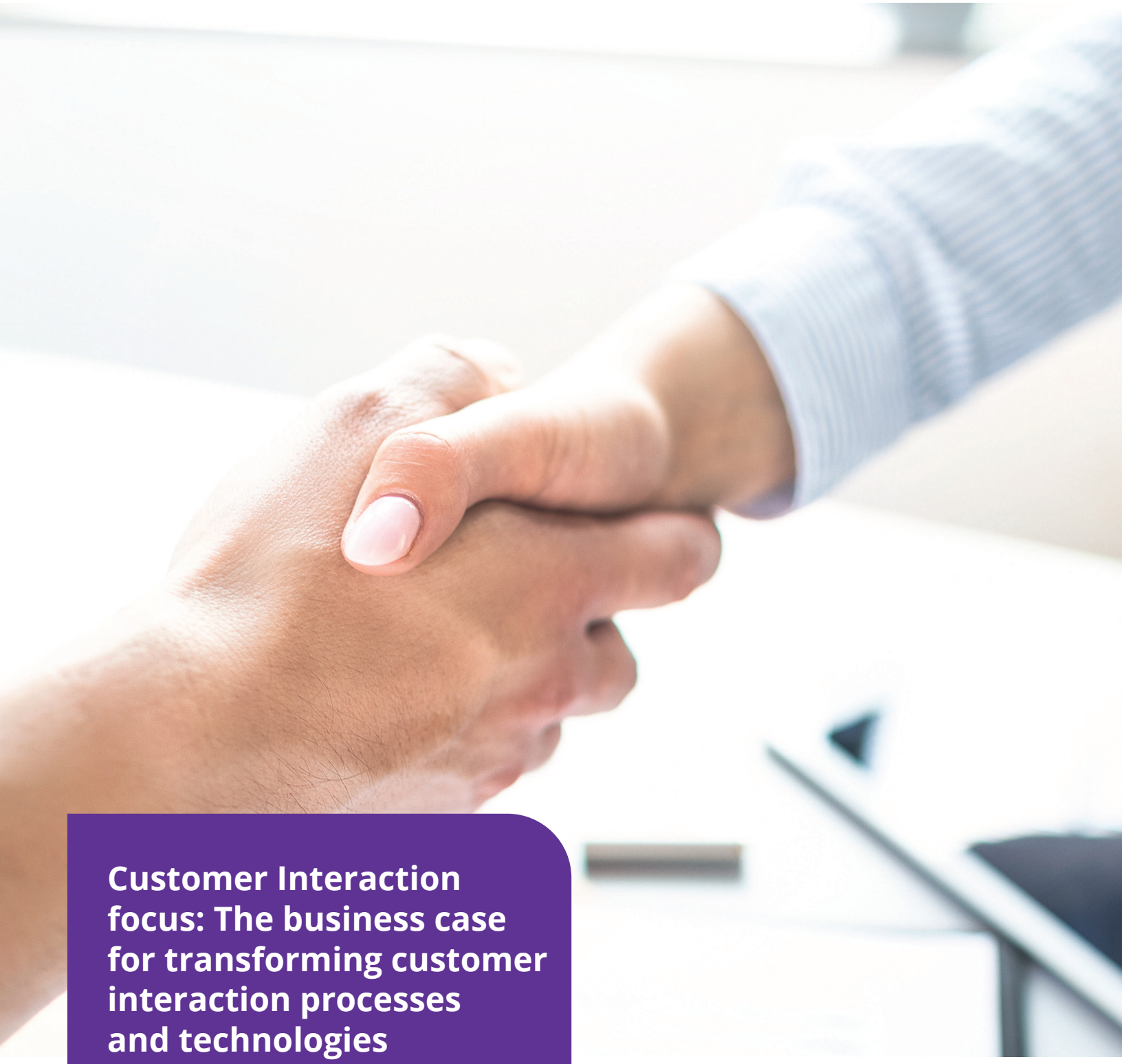
DXC TECHNOLOGY



Customer Interaction focus: The business case for transforming customer interaction processes and technologies

How Australian business leaders can deliver quantifiable value and drive digital transformation through a customer experience and interaction improvement program.

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Executive summary

Digital transformation has been a hot topic for executive boards since the surprising success of digital-only companies like Uber. Yet the number of mature companies which have successfully transformed digitally and delivered demonstrable value remains low.

Prior to the digital agenda, the idea of customer intimacy drove many business investment programmes to use techniques such as gross demographic segmentation as an initial attempt at understanding the customer better. However, customer intimacy was challenged by two key factors: The availability of timely customer information to inform the customer interaction, and a flexible business model to respond to customer engagements based on the information.

As such, services and offerings were only intimate by name and rarely intimate by nature with the privilege of true intimacy being available only for the high-valued few.

Prior to this, a company's success was highly depended on cost management through process optimisation, industrialisation and offshoring. However, the impact on customer satisfaction was often considered secondary for the sake of improving costs and the bottom line.

One of the biggest hurdles we have witnessed over the past 50 years is how often companies reinvent the wheel by not leveraging existing customer engagement channels, or attempt to develop digital customer capabilities without consideration of a whole-of-enterprise approach to customer interactions.

At DXC, we believe digital transformation only delivers value through better customer engagement.

More importantly, the idea of delivering on digital, customer and operational efficiency is not only aspirational, but very achievable. A customer interaction transformation is one of a few viable options large companies have to transform digitally and achieve quantifiable value.

Introduction

A new era of customer interaction has arrived and Australian enterprises must align their strategy and delivery to take advantage of this unprecedented change.

This report, **Customer Interaction focus: The business case for transforming customer interaction processes and technologies,** introduces CEOs and IT and business leaders to the challenges and opportunities modern customer interaction presents, and offers strategic advice to improve an organisation's capability.

Customer interaction entails an entire industry of how various corporate, financial services and government entities engage with end-customers. The future of customer interaction is digital based on customer preference, whereby any communication to a person or company is as efficient and effective at addressing a need or offering a sales opportunity. This is the true omnichannel customer interaction opportunity, which is personalised and not standard.

External factors, including regulatory compliance, are forcing customer interaction strategy into the boardroom where it is as important as product offerings, competitive threats and new market opportunities.

This report highlights how the future of omnichannel will be built with digital and how transformation programs can improve the entire spectrum of customer interaction.

Put simply, if your organisation is not managing customer interaction properly it is exposing itself to losing customers, risk of statutory non-compliance, high operating costs and lost revenue generating opportunities.

DXC.technology is a global leader in customer interaction strategy and capability, and, in combination with partners, is helping Australian enterprises markedly improve their frontline customer engagements across all channels.

Thriving in the age of digitally-connected consumers calls for a modern, agile approach to customer interaction technology and processes.

Knowing your customers: a growing business imperative

Many companies, particularly large enterprises, have traditionally developed products and services with broad market appeal. A bank or telco is servicing customers by the millions and the ability to respond to individual requests well, or offer personalised products, is often overlooked.

Done properly, customer interaction delivers the right conversation at the right time through the right channel.

Today there are many factors influencing how customer interaction is growing in importance: customers are more connected and can look for their needs quickly, and regulatory authorities are clamping down on mismanaged and negligent customer relationship activities.

In Australia, the Royal Commission[1] into Misconduct in the Banking, Superannuation and Financial Services Industry, began in late 2017 with the final report due in early 2019.

[1] https://financialservices.royalcommission.gov.au/Pages/default.aspx

"73% of business leaders say that delivering a relevant and reliable customer experience is critical to their company's business overall performance."

— Source: Harvard Business Review

Many of the complaints brought before the Royal Commission relate directly to poor customer interaction practices. Everything from overcharging fees and bad financial advice, to forging signatures and even charging deceased persons[2] has surfaced during the inquiry.

The way the financial services industry engages with customers is becoming increasingly important, and, in a post Royal Commission world, it must adapt or face heavy fines and more stringent regulation.

Financial penalties and reputation damage now directly relate to not knowing who your customers are, or a lack of visibility into who within the organisation can interact with a customer — it is a lot more difficult to charge a dead person with the right governance structures in place.

There will be new demands and outcomes which arise from the findings of the Royal Commission around disclosure of services to customers. And for many institutions this will only be achieved by transforming and modernising legacy customer interaction processes.

Customer interaction is an excellent candidate to start a digital transformation journey given many digital projects focus on customer-centricity.

Organisations and government agencies need to turn the dial up on customer interaction, and in Canberra one of the tenants of Digital Transformation Agency is to drive digital and improve citizen and customer engagement by making it "simple and fast to get things done with government, through any channel".[3]

Having a close understanding of your customers' needs is now a business imperative for Australian enterprises. And developing innovative ways to interact with customers across channels is an exciting launch pad for wider digital transformation.

Customer interaction is now "two way" and everyone has a platform to interact with a company in an instant.

The benefits of starting a digital transformation journey with a customer interaction transformation is it creates a positive business case through cost reduction and improved efficiency. And, amid a fast-changing competitive, regulatory and consumption landscape, delivery of great customer experiences is the only sustainable form of competitive differentiation for most organisations.

Business leaders must be prepared to drive change to deliver personal, digital customer interaction with a platform to facilitate information sharing and new levels of innovation.

[2] http://www.abc.net.au/news/2018-04-19/how-dead-people-cand-be-charged-bank-fees/9676846

[3] https://www.dta.gov.au/what-we-do/transformation-agenda/6

Corporate	Service Delivery	Business Line	IT	Customer
Content simplification	Hub content ownership	Speed of change	Central platform	Pricing model
Corporate content ownership	Reduce business line variation	Ownership business specific content	Scalable & high performance	Responsive
Standard interaction model	Efficient change management	Reduce waste of correspondence	Reduce IT effort for change	Secure
Digital approach	Digital approach	Use of digital to improve performance	Efficient change management	Digital approach
Style guide	Self-service content change	Self-service content change	Automation	Cohesive experience across all services

Figure 1. Key business drivers for improved customer interaction.

In light of the Royal Commission into financial services, the business drivers shown in Figure 1 are becoming more important than ever.

Personalisation calls amid changing customer behaviour

With increasing regulatory pressure bearing down on poor customer interaction processes, the result of narrow-focused communication can mean more than just fines and reputation damage.

Australian consumers are among the most connected in the world and a failure to provide good levels of customer interaction can directly correlate to loss of customers and revenue.

Customers are looking for the “always on” company which can service requests via a growing number of digital channels. This omnichannel approach ensures customer interactions are consistent across any touchpoint — from a branch office to a mobile app.

According to Zendesk research, 76 percent of people prefer self-service to alternatives like email or phone support, and more than half of customers will abandon online purchases if answers to questions are hard to come by.

Traditional industries are facing pressure from broader “consumerisation” where people now expect the same level of personalisation, care and service from a bank or utility provider that they get with a more nimble company like an online retailer.

Most large enterprises need to review their peers and benchmark against different organisations previously not seen as competitors to gain a better understanding of their customer interaction performance. Being the best energy provider for customer interaction does not mean much if the experience is still poor compared to interaction level of a hotel chain.

The always-on expectation driven by the GAFA — Google, Apple, Facebook, Amazon — club indicates how strongly customer expectations are informed by others, not just a competing bank or utility.

"Why remove an old channel from a portfolio when it's still serving a useful purpose? The omnichannel model is likely to encompass legacy channels for a while longer, and customer communications management solutions will need to be flexible."

— Source: Quadient Research

Most interactions of the future will be digital, including through SMS, email, online portals, mobile apps and social networks; however, Australian companies still need an omnichannel strategy to ensure a call centre operator knows as much about a customer as a branch office worker or email support staff.

Traditional channels such as letters, statements and bills are now going through a digital transformation within the customer interaction space as more customers want to engage with the channel of their choice. If the channel is not available, or is cumbersome, consumers will move to another provider.

The most effective interactions will also be personalised to the individual's needs. People don't think in "channels", but rather relevant information and communication. Relevant personalised digital experiences will help customers make better choices amid industry and product change

In the case of insurance, the merging of products (for example, life and health insurance) will be more successful if offered in a personalised way. Moreover, the move to more digitisation of traditional processes, such as with the Internet of Things (IoT), opens the door to an acute level of personalisation with pay-as-you-go insurance offerings. If an insurer can verify someone will only be driving a car for a few hours per month, it can offer a personalised fee.

Digital will be the platform for future omnichannel interactions and companies need the capability to respond to the changing demographic of customers.

The customer is changing and "Baby Boomers" have different expectations around interactions compared with younger people. Those in "Generation X" onwards will move quickly so it is imperative within every industry to service them well via their channel of choice.

In the case of superannuation, there is a high churn rate due to people changing jobs so customer interactions in this industry are critically important to retaining revenue.

An organisation can quickly switch off existing print customer interaction service, such as printed direct mail, and turn to digital, but the change might not result in rendering a good digital experience. For example, a digital bill not form-factored for a person's preferred device can result in a poor interaction.

With increasing pressure on organisations to achieve cost efficiencies, omnichannel also presents an opportunity to unify messaging and avoid siloed interactions.

Customer feedback and reviews across the Internet are influencing future buyers, hence the need for positive customer interaction across all channels. The first thing people are doing when making a purchasing decision is to search for company, product or customer reviews highlighting the importance of getting customer interaction right.

Changes in the competitive landscape with the onset of digital-only companies is resulting in companies acquiring businesses and diversifying service offerings. This market turbulence is creating greater complexity in customer engagement and a rise in multiple platforms.

The opportunity for omnichannel to deliver an efficient and cohesive customer interaction experience has never been greater.

TOP 5 PROBLEMS

1. Poor customer experience (inconsistent)
2. Months/years to change correspondance
3. Technology embedded within legacy
4. Reliance on slow print mail houses
5. Lack of digital channels

Identifying customer interaction challenges

To improve customer interaction capability, IT and business leaders must first identify the challenges specific to their organisation and industry.

An immediate, and often most significant, challenge organisations face is dealing with customer interaction with legacy systems across different lines of business. For example, in a large financial services firm there can be customer interaction systems for separate products, including insurance and lending.

If there is cross-selling within a bank there needs to be clear ownership of the legal, marketing and operational implications of delivering the type of content.

And as we saw with the Royal Commission findings, ownership, approvals and general governance are challenges which can have serious consequences. There must be central ownership of customer interactions and the means to share data appropriately. The challenge of "who is approving poor customer interactions" appears to be endemic in financial services.

Customer interactions insights

Transitioned State

Business

Technology

End Customer

Figure 2. Customer interactions transition state

Moving to a new era

For many enterprises the business challenge is the digital transformation journey which involves moving everyone to new age of customer interaction. Successful customer interactions need to be timely and engaging, not irrelevant and disinteresting.

When someone receives a call-to-action from a government agency, such as the taxation office, there needs to be a clear message "why" and managers need to think about how the customer will consume the message.

A common industry pitfall to avoid is thinking processes and technology can undergo a "lift and shift" onto a new platform and generate a different result. The model that has supported print will not be the same with emerging digital technologies like social.

At the core is the ability to communicate, which has no reliance on technology If a written or printed note cannot be understood, there is an issue with comprehension or the ability to understand. Putting the same printed message into a modern digital enabling platform simply makes the inability to communicate available to all channels.

Many companies need to do a content redesign and rationalisation to deliver their interactions well. Rationalising content across the enterprise is a challenge in general, but when it extends to customer interaction the impact is measurable — irrelevant messages can lead to dissatisfaction, while relevant messages can lead to sales.

"Only 13% of companies say they have a single source of customer intelligence today. 23% say they are able to act on all or most of the customer data that they collect."

— Source: Harvard Business Review

For example, when someone is due to receive an insurance policy renewal, the marketing team might want to include some marketing collateral around a relevant personal loan. This level of re-use intelligence and flexibility should be available at an enterprise-wide level.

Content rationalisation is about getting one platform to do the work of many processes covering brands, products and channels. Adopting a "no constraints" approach to content will make fragmented content available for reuse under a publishing, subscription or an automated retrieval model for use beyond customer interaction, web publishing or marketing automation.

It is important to bring information together and provide self-service capability so a business unit can change content in a structured way. Self-service is in growing demand, but for it to be successful the channel needs to be secure, personalised, relevant and available on-demand.

Start with key principles to drive change

To identify challenges, start by discovering what you do know, including the type of integration challenges which relate to being stuck with legacy and not having a standard approach.

The journey to better customer interactions then typically gets started with a push to redesign tired user interfaces and experiences. This results in happier customers with improved engagement and better opportunities to cross-sell.

In one large Australian government agency the sheer frustration of change spurred it into action. A senior executive received poor correspondence

and although thousands of messages were constantly being delivered, the organisation had little control over it.

In the insurance industry the key drivers are often change related. In one company it was taking too long to change to make any real difference on the front line, costing revenue opportunities.

Then there is compliance and regulatory requirements. Often business leaders need to change their organisation's customer interaction practices to meet new regulations, and as a result are left asking how it can be done at an operational level.

Other factors which can quickly identify the need for change include mergers and acquisitions and having IT functions divorced from customer interaction strategy.

Mergers and acquisitions require platform consolidation and when this happens customers can be left wondering if they should stay with the merged company. Good customer interaction during and post-merger gives people reason to stay.

Regarding IT, many organisations outsource mail and print operations and as a result a lot of the IT functions are sitting out with third-parties. If there is a need to send a timely letter, the whole delivery model is at risk of not being controlled well and strategic functions are left unaware of how the customer experience was delivered.

Organisations that focus on personalised, relevant content, or delivering a better experience, are poised to keep their customers coming back. Identify the challenges and give every part of the organisation solid reasons to modernise the capability.

Counting the benefits of efficient customer interaction

Improving customer interaction can result in a multitude of benefits for Australian enterprises. Broadly, there are three ways in which an organisation can benefit from efficient customer interaction: business benefits, technology benefits and end-customer benefits.

Business and change management benefits

Business benefits include cost efficiencies, return on investment and system rationalisation. For example, a large government agency can save in excess of $20 million per annum through reduction in paper and postage by digitising, rationalisation of templates, reduced contact centre queries and removal of legacy systems.

Large enterprises have many hundreds of templates for engaging with customers creating a nightmare for change. Moreover, if the general manager of a business unit, such as a retail lending unit, leaves a bank the simple task of changing a signature can take 12 months or longer.

There are many cases where templates sit within individual users' computers, known only to a select few people. This siloed working environment eventuates due to the ultimate ease of creating a branded Word document and sending it off; lack of knowledge of a central platform or process; and a lack of flexibility in current process for required communications.

As a consequence, branding becomes outdated, messaging and wording is not reviewed or approved and there is a lack of visibility across the enterprise (not noted as an interaction in CRMs). Additional problems include single points of communication failure and more cost and complexity to maintain a full view of enterprise communications.

A bank might spend $150 million per year on outbound customer interactions and have some 5000 enterprise templates that require change. These organisations can spend millions on change management per year so the potential for savings to the business is very high.

Template management is now a serious driver for the business case for modern customer interaction. According to Quadient research, the cost of managing a template per annum is around $6,000, excluding the need for manual intervention in the approval process.

Manual template management brings cost and risk from a legal, regulatory and reputational standpoint and the enterprise loses visibility over what a customer might have received. In addition, there is time taken to change and the impact on agility to respond to a changing market and organisational and regulatory drivers.

Business units also want more self-service capability to update marketing collateral. Metrics around customers consuming content quickly show business benefits and there is an ongoing focus on metrics like change management and net promoter scores (NPS).

Technology for agility

From a technology standpoint, customer interaction is moving to the as-a-Service model and numerous platforms and technologies are now available for transformation and modernisation.

By consolidating, rationalising and procuring systems on-demand the organisation can improve its capability sooner with better technology. With a strong emphasis on decommissioning legacy, the technology benefits will be a more manageable, agile capability.

New technology can expand channels and deliver an immediate business benefit. For example, dynamic, personalised videos can result in a significant increase in use of that digital channel and a measurable increase in sales.

The end-customer wins

With a modern customer interaction platform, customers can use their channel of choice, with their devices of choice, at a time that suits them.

Customers benefit from a more pleasant interaction experience where any representative of the organisation (from branch office to Web chat) is familiar with their account and can help them directly instead of “passing the buck” to someone else.

Financial and non-financial benefits

There are different drivers for different organisations, but the benefits of getting customer interaction right are generally pervasive across the enterprise and not limited to one area.

In addition, the benefits are both financial and non-financial. The ROI for efficient customer interaction is clear from an operational and revenue potential standpoint; however, benefits also arise from better staff morale and more satisfied customers.

For organisations looking to remain relevant amid traditional and emerging competitors, customers can be one of the strongest assets. Keeping customers loyal in a market conducive to change is a benefit worth working towards.

"76% of consumers will switch if a business doesn't meet their customer experience expectations."

— Source: Quadient Research

Building a platform for customer interaction success

With the challenges and benefits identified for a business case to modernise customer interaction, IT and business leaders can focus on the approach to deliver a successful transformation.

Many organisations are "trapped" and need to move to more engaging interactions, but staff are uncertain as to what options they have to facilitate the transformation. Developing a platform for efficient customer interaction includes:

- **Review assessment framework.** Look at the assessment framework for the whole organisation and review existing correspondence to customers. Focus on reuse of content and how it will be governed.
- **Appoint a sponsor.** One aspect of delivery that can become complicated is "who" the sponsor is and who owns the end-to-end customer interaction. Often it is the CFO, but the CDO or Chief Customer Officer is becoming more common. Customer interaction success requires heavy alignment of stakeholders, so appointing a strategic owner is important to drive a change agenda.
- **Standardise data access.** For a successful customer interaction platform you need to have standard APIs and methods for accessing data stores. Start the transformation journey by assessing the data to get to the right interactions with the right customers. Organisations unwilling to do that will never deliver good customer communication. Once you have standardised APIs, you will have better ways to access interaction platforms. And be prepared to make tough decisions around the use of legacy technology.
- **Develop a roadmap.** A roadmap will help solidify the strategy with goals and outcomes based on key business drivers. Start the roadmap by focusing on the organisation's most important customer experience factors, such as customer complaints. A typical roadmap to transform consists of five stages: Discovery to define the business case; a foundation for governance and change management; establishing a customer experience platform; transformation with agile methodologies; and continuous improvement through analytics and channel optimisation.

- **Implement a central Customer Interaction platform.** Many organisations want to control their customer intellectual property, but do not have the internal capability to implement a mature Customer Interaction platform (or customer communication management platform). Engaging with an experienced coalition of partners with leading expertise in the design, transformation and ongoing management of customer interaction will help establish the capability to meet an organisation's specific needs. Ongoing innovation is also an important element for dealing with inevitable rapid change.

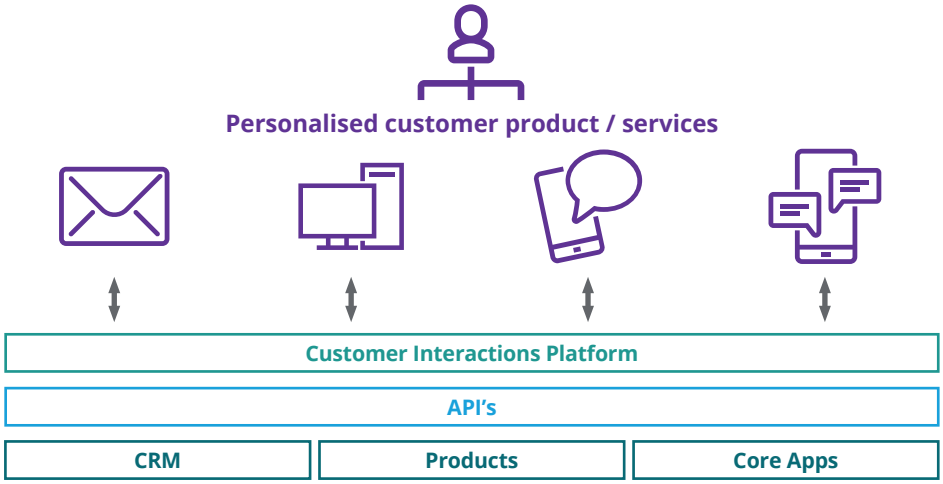

Figure 3. Customer Interactions platform

"Companies with the strongest omnichannel strategies retain an average of 89% of their customers, compared to 33% for companies with weak omnichannel strategies."

— Source: Aberdeen Group

- **Establish an operating model.** To ensure all stakeholders are clear on how the platform will be delivered and managed establish an operating model. This includes an executive forum as there is a need to have executive sponsorship and ownership. The operating model will also ensure rogue business units do not steer away from the wider customer interaction agenda.
- **Manage service delivery and SLAs.** As part of the operating model, establish a service delivery forum to maintain SLAs, operating standards and continuous improvement. The Royal Commission highlighted the need for ongoing quality assurance and having a strong change management focus around maintaining key deliverables is imperative. Also important is a technical advisory group to look at improving channels, such as video and social.
- **A framework to support delivery.** From a business perspective there needs to be ongoing scrutiny of managed services. Your organisation, in conjunction with MSPs, will be maintaining disciplines around the approach to ensuring standards are met and methodologies around DevOps, continual improvement and cloud and app automation. Look at what the organisation is good at delivering and what it is not good at. A framework is needed here to make sure the best delivery groups are providing the required capability.
- **Measure tangible outcomes.** Business leaders need to make sure the measurement of the new technology platform has some relevance to the business objective. Delivery proof points can be around customer attrition. How much Generation Y customers change is now a key performance indicator of how well you retain customers in that demographic. An emerging pricing model is on-boarding to a Customer Interaction platform based on the customer, which drives the right behaviours.

Focus on the IT, business and customer benefits and take advantage of proven frameworks, transformation methodologies and managed service provider (MSP) capabilities to make it happen.

The digital age is defined by the customer's personal digital experience. Customers expect communication and engagement with an organisation to be consistent and similar to personal engagement with family and friends via their device of choice, at a time that suits them and in a way which meets their needs.

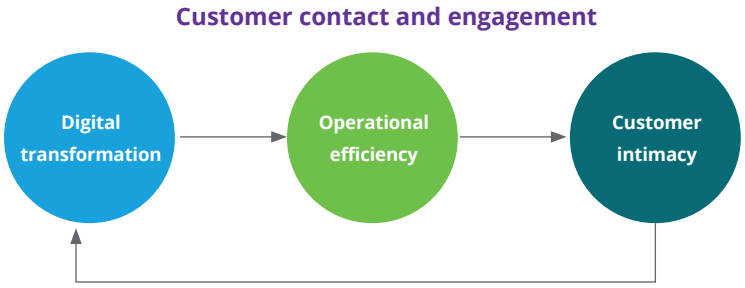

Figure 4. Customer contact and engagement is at the heart of all business activities.

Conclusion

Australian enterprise and government organisations must become more agile, efficient and knowledgeable with customer interaction. An increasingly stringent regulatory climate, coupled with a more connected population willing to switch services quickly, is dictating a new approach.

Modern customer interaction is no longer a "nice to have" it is a business imperative and can save large organisations millions in operating costs.

Customer interaction success will involve a combination of technology and process improvements. Identify the challenges and develop a roadmap for updating legacy systems and engaging with an MSP for ongoing support.

Learn more at
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