



# Deploying Customer Service in the Cloud

## The four phases: from implementation to transformation

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An Ovum White Paper

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### Executive Summary

One of the biggest challenges facing companies is figuring out how to serve consumers in an environment where customer engagement is rapidly shifting. With the consumerization of customer service taking root, implementing a successful customer experience strategy means enterprises need to be agile enough to serve customers on their own terms across the entire customer experience lifecycle. To this end a growing number of organizations are using cloud deployment models to power their contact center operations to quickly and effectively engage with customers across a variety of channels including voice, email, chat, social media, mobile, SMS, outbound and video.

Supporting the multitude of channels needed to service today's customer can translate to significant capital expenditure for organizations as new technologies and processes must be introduced and interwoven with existing care operations. The challenge is to implement and manage these channels in an economically palatable way without any disruption to existing customer care practices.

This white paper is a business guide for customer service executives and managers who have already made the decision to deploy customer service in the cloud but need further insight into the best practices for how to do so successfully and further evolve customer service in the cloud through four phases: implementation, consolidation, optimization and transformation. These phases span an entire customer experience management strategy over a period of many years. When done right, however, the enterprise can have a unique customer culture and a sustained competitive advantage over the long-term.

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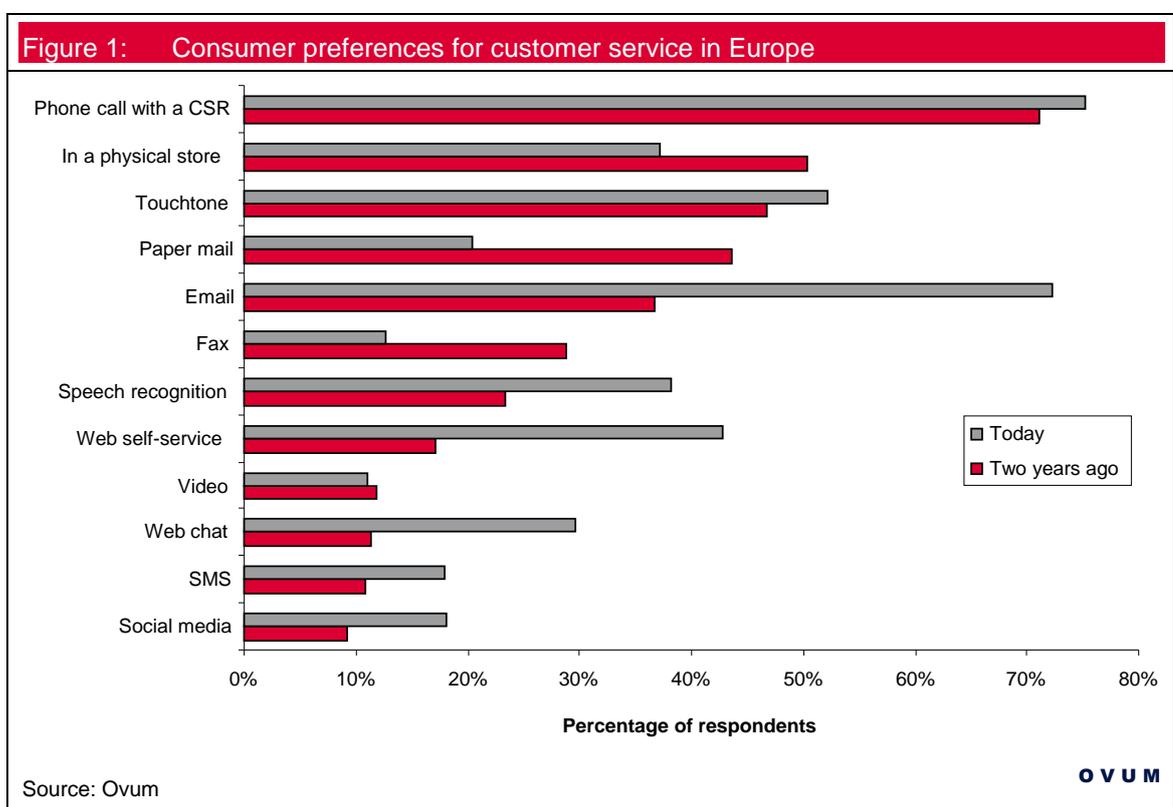
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## Key trends shaping customer service

Deploying customer service in the cloud involves alignment of corporate strategy, technology investments and business processes. Enterprises can choose to leverage different options and flavors of call routing, agent desktop, email, web chat, outbound, social, workforce optimization and self-service. Given that this white paper focuses on the strategic aspects of cloud in the context of customer service delivery it is prudent for enterprises to first understand the changing dynamics of customer service. Ovum has identified three key trends impacting enterprises and their implications today.

### Customers are using more touchpoints for customer service but voice is still the most effective channel

Managing customer service is becoming increasingly complex as customers use a mix of more channels to engage with customer service. Figure 1 shows consumer preferences for customer service in Europe (France, Germany and the UK).

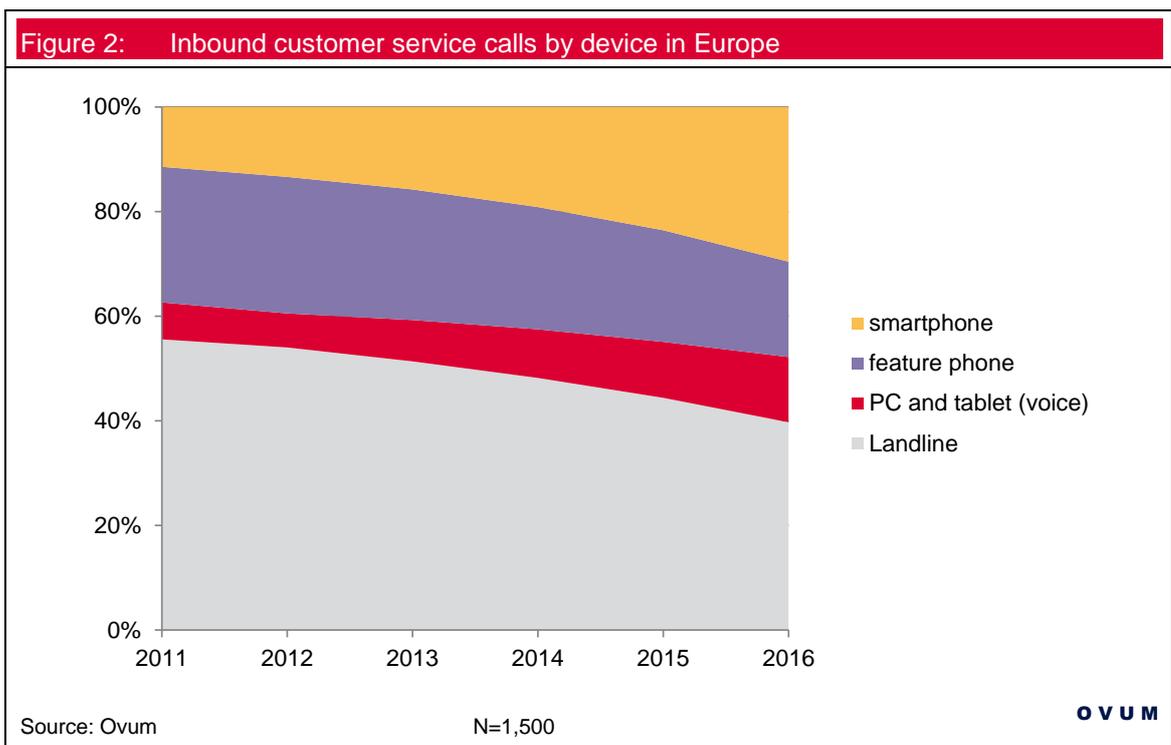


Because customers are increasingly engaging with businesses across different touchpoints enterprises are challenged with not only supporting and managing more channels but also providing a consistency of experience across all these channels. This means enterprises need to hire multi-skill talent across these channels, effectively track cross-channel metrics and

ensure compliance measures are met. Moreover, they must introduce new business processes and workflows that link channels with each other and with back office fulfillment.

### Mobility is changing the way in which customer service is accessed

More than 60% of inbound customer service calls in 2016 will be made from mobile devices (which include smartphones, PCs, tablets and feature phones). And 42% of calls will be made from smart devices that have high bandwidth data connectivity such as smartphones, PCs and tablets.



What this means is that customer engagement with contact centers will continue changing over the next few years. Smartphones, PCs and tablets will place additional pressure on enterprises to adequately support multiple channels because these devices at their core are multimedia terminals. Customers who will use smart devices or PCs to call contact centers will likely try using other channels first before escalating their issue to a phone call with an agent. The need for enterprises to support multiple channels and to understand customer pathways within these channels (where customers can switch from one channel to another seamlessly or use channels concurrently during a single interaction) will be much stronger in the market over the next several years.



## **Inbound call volumes will decrease beginning in 2016**

Ovum predicts that call volumes will plateau in the developed European countries and beginning in 2016 inbound customer service calls will decrease due to changes in customer demographics, proliferation of new channels, outbound campaigns, crowdsourcing, and improved self-service functionalities. This pattern is expected to put a tremendous amount of strain on existing enterprise resources. Call length is expected to increase as the voice channel becomes the last resort for customers and the nature of calls handled by agents become more complex. Prudent enterprises realize this trend and are investing in infrastructure that enables a greater degree of personalization for each touchpoint; allowing for tailored interactions to the needs and wants of the specific customer. In fact, a majority of enterprises identified personalization as their top investment priority for 2012 and 2013 according to a recent Ovum study that took into account interviews with 30 large companies primarily based in Europe and North America.

## **Deploying customer service in the cloud: four phases to transformation**

The trends underpin the fact that serving customers in today's market is becoming more complex and expensive. Enterprises need to be agile, and given the constraints of premise solutions it is difficult for them to achieve a transformation in customer service that will help them sustain a competitive advantage over the long term. Given limited departmental budgets and resources, and pressures to reduce costs, customer service executives are forced to think strategically when it comes to engaging customers --not just in the confines of customer service but within the greater context of the customer experience. This is the underlying logic behind Ovum's cloud customer service maturity model.

### **The cloud customer service maturity model defined**

Customer service in the cloud is being deployed in phases, building from basic functionality to advanced capabilities that span an entire customer experience management strategy over a period of many years. Ovum has developed a cloud customer service maturity model as a management tool to help enterprises understand the key dimensions along which they should expect to progress as well as the areas that define the stages of each domain. Investments to advance across the major domains of the cloud customer service maturity model are driven by organizational priorities, budget availability and technology and process readiness.

In the model, as seen in Figure 3, there are six domains (outcome, objective, engagement, technology, process and structure), each covering a strategic or functional area. Phases 1 and 2 can be achieved relatively quickly and in some cases simultaneously. Phases 3 and 4 are incremental; an organization must first complete Phases 1 and 2 to graduate to the later phases. Note that the maturity phases are not overly precise - an organization at a specific phase may exhibit some characteristics from later phases.

The domains are presented as a roadmap for organizations; they are guides, not mandates. Additionally, organizations can certainly provide world-class customer experience without achieving Phase 4 status for some or all of the cloud customer service domains.

**Figure 3: Cloud customer service maturity model**

	<b>Phase 1 Implementation</b>	<b>Phase 2 Consolidation</b>	<b>Phase 3 Optimization</b>	<b>Phase 4 Transformation</b>
<b>Outcome</b>	Cost savings and customer satisfaction	Cost savings and customer retention	Customer loyalty	Customer advocacy
<b>Objective</b>	Improved efficiency	Improved customer service	Improved effectiveness	Improved customer experience
<b>Engagement</b>	One to two channels	Multichannel	Cross-channel	Data and workflow sharing across entire enterprise
<b>Technology</b>	Hybrid architecture Mix of cloud and premise-based infrastructure	Customer service cloud Most customer service technologies are in the cloud	Customer-centric cloud Channels are fully integrated and rich context available	Customer experience cloud Seamless switching across channels and departments.
<b>Process</b>	Little to no change to existing business processes	Integration with existing business processes	New business processes introduced and designed around cloud	Business processes designed around customer experience lifecycle and cloud
<b>Structure</b>	Customer care and IT work towards different agendas	Customer care and IT collaboration increases Joint roadmaps created	Interdepartmental collaboration across customer care, IT, marketing, sales and back-office begins	Teams restructured based on organization's customer experience mission and an outside-in approach rather than traditional org chart

Source: Ovum



## Phase 1: Implementation

Implementing customer service in the cloud requires you to have an open mind. Start with a clean slate and think ‘outside the box’ when it comes to extending the capabilities of cloud customer service to business practices regardless of if you are starting a significant infrastructure overhaul or in the beginning phases of just implementing a new channel or agent desktop in the cloud. You should not replicate any business processes that were dictated by the technology constraints of legacy equipment and applications. This phase enables you to plant the seeds for future growth in your cloud customer service strategy.

- **Outcome** - Cost savings and customer satisfaction improvement are the primary business outcomes that you should focus on in Phase 1. You should create a methodology to capture new metrics to track ROI

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such as business outcomes, customer satisfaction scores, Net Promoter scores and the gains achieved by reallocating freed up internal resources to other tasks.

- **Objective** - In order to achieve cost savings and customer satisfaction improvement you should focus on improving efficiency. With cloud customer service you have access to a wider range of technologies and continuous technology upgrades underpinned by pre-defined service level agreements. This is something that premise-based solutions do not typically offer. It decreases bottlenecks and reduces pressure on internal staff because cloud providers manage administration and technical issues.
- **Engagement** - There are various elements that are part of a cloud customer service offering. As with any cloud deployment you should start slow by implementing one to two channels first to transition existing channels to the cloud or introduce new channels to support changing customer communication preferences.
- **Technology** - In the implementation phase an enterprise will typically have a hybrid architecture composed of various customer interaction technologies residing in the cloud and on premise. However, the majority of contact center infrastructure will be located on premise as enterprises in this phase will typically have sunken investment in premise-based legacy infrastructure that they will potentially migrate to the cloud over time.
- **Process** - There will likely not be any significant business processes changes in this phase other than the necessary changes needed from introducing one or two new channels or replacing an existing premise solution with one in the cloud.
- **Structure** - From an organizational standpoint the customer care and IT departments in the implementation phase will have some level of collaboration but both teams will typically work in siloed environments. The use of cloud, however, provides more opportunities for the care and IT teams to corroborate and joint initiatives will become more common as an organization progresses along the Ovum cloud customer service maturity model.

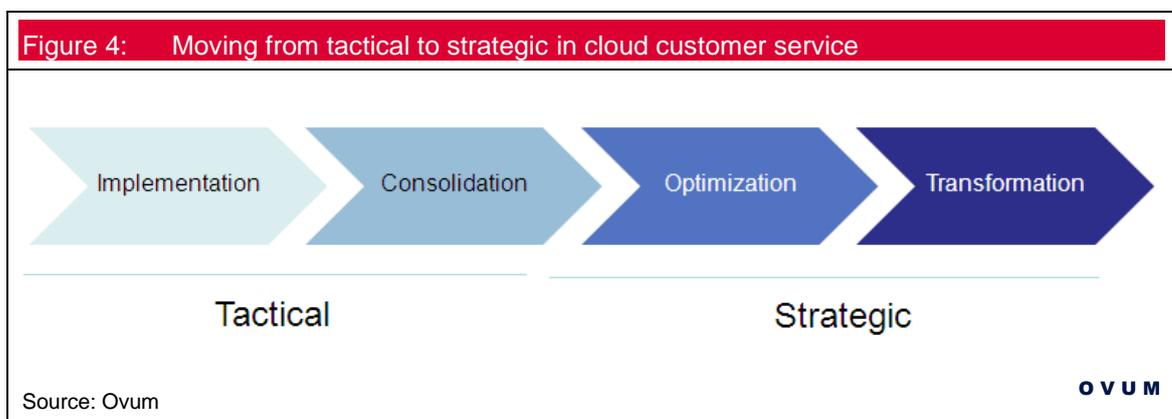
## Phase 2: Consolidation

Moving from Phase 1 to Phase 2 requires enterprises to begin consolidating and maximizing their infrastructure and supporting multiple channels on a single cloud platform. Consolidation of customer service assets will enable you to increase cost savings and reassign personnel to help increase customer retention rates by improving customer service.

- **Outcome** - Business outcomes should be focused on extracting greater cost savings and increasing customer retention rates in Phase 2. Cost savings are amplified as a result using tightly integrated channels, agent and performance tools, and monitoring and analytics tools together on a single cloud platform. Increased customer retention rates, unless heavily swayed by price or quality of the product/service, will result from improvements in customer service. Ovum research has tracked 21 billion Euros and over 15 billion GBP lost each year from customers churning as a direct result of poor customer service in Europe alone.

- **Objective** - Improving customer service is the primary business objective for the consolidation phase. You must therefore understand your customer base, demographics and channel preferences and tailor your customer service strategy to customers' needs. Towards this end, your need to be aware of the most suitable channels to engage customers when it comes to support; if customers interact via online messaging, Twitter and Facebook, you should be providing service through those channels.
- **Engagement** - In this phase the enterprise has the majority of customer channels and agent desktop on single platform delivered via the cloud.
- **Technology** - When an enterprise is in the consolidation phase they have what can be defined as a customer service cloud. This is when most customer service channels and tools are delivered via the cloud as well as the agent desktop in order to maximize the cost-efficiency of service operations. Given the changing customer preferences and the subsequent changing requirements of agents, you need an agent desktop solution that is extensible, flexible and one that can evolve as the business requires new workflows.
- **Process** - Working within Phase 2 enables an enterprise to spend more time developing strategic campaigns and refining business processes. By outsourcing the technology and its management, staff that previously spent time managing contact center infrastructure can now spend their time focusing on projects that drive greater value. This influx of new perspectives provided by personnel (who would have previously been dedicated to day-to-day management of operations) will help you be more innovative in customer service as more focus can be concentrated on the customer and less on the infrastructure.
- **Structure** - This phase requires the level of collaboration between the customer care and IT teams to increase. Roadmaps for cloud should be created jointly and discussions aligned and both parties should have a fundamental understanding of tactical and strategic goals each are aspiring to achieve.

Implementation and consolidation phases address many of the tactical benefits of embarking on a cloud customer service strategy. As the enterprise progresses along this maturity model the strategic benefits will become apparent in the optimization and transformation phases.



## Level 3: Optimization

In time, enterprises find that cloud customer service matures beyond its value as a cost-control and customer service improvement mechanism, becoming a real strategic advantage in multiple business contexts. Many of the benefits stem from access to new features and functions, quicker time to deployment and improved resource allocation. As these benefits compound over time enterprises are able to focus more on evolving their customer focus from a reactive stance to one that seeks to control and drive the customer experience, seeking to boost the business' top line revenue.

- **Outcome** - The transition from Consolidation to Optimization is chiefly characterized by a change in the expected outcome of the service process. The desired outcome of cloud customer service in general (and the service process in particular) is to create an environment that fosters customer loyalty. Where in Phase 2 the focus is on retaining a customer through a specific transaction (or a bad patch), at Phase 3 you are using cloud tools to optimize the entire process. The ultimate end state is one where customers are loyal to your company or brand because you have better integrated all the component parts of a traditionally fractured and siloed customer interaction.
- **Objective** - The turn from cost-control to a broader strategic focus manifests itself as an expectation that service operations will not only be leaner, but that they will be more effective at influencing customer behavior. A more effective operation is one that provides, for money spent, a higher measure of control over the pathways that customers take. So instead of rigorously seeking to avoid spending, a more advanced cloud-based business will have a better sense of the benefits that accrue from sensible, targeted spending. In order to meet those objectives, you have to more accurately measure customer value. And you have to be able to track a wider variety of customer options, requiring visibility into how customers navigate from one interaction mode to another.
- **Engagement** - This phase transition also assumes that the customer is able to connect with the company through a more complex set of contact channels. In addition to more contact options, at this phase the customer has the ability to switch from one mode to another. More important, the enterprise can push the customer from one contact pathway to another, based on a more nuanced understanding of motivation, value and cost. At the Optimization phase, you and the customer are both exerting a greater degree of control over the course of each interaction and the overall relationship. And most important, by this phase both parties are more likely to be working together, collaboratively rather than adversarially, in pursuit of common goals.
- **Technology** - The cloud is critically important in effecting this transition. Enterprises mitigate risk with cloud as they are easily able to pilot, roll out and tune new contact center applications to test those against changing customer needs and behavior. Cloud-based technologies that enterprises should consider include next-generation agent desktop solutions, proactive communications, and systems for gathering context during mobile interactions. Each of these supports increased effectiveness and a greater degree of control over customer communications.

- **Process** - An enterprise that is transitioning to Phase 3 maturity will be seeking ways to build entirely new business processes that leverage the cloud, rather than simply integrating the cloud into their existing processes. For example, many enterprises at this stage seek to align front-office and back-office functions to improve the overall customer experience. Certain processes that work well in the contact center can be applied to the back-office to improve customer loyalty.
- **Structure** - Along with building processes to bolster interdepartmental collaboration, this phase sees the development of a unified business structure to handle complex, multidimensional customer issues, like social media and mobility.

## Phase 4: Transformation

The journey an enterprise makes in this four phase process is dramatic. In the final phase, a company is transforming everything, from its service processes to its cloud-based technologies, from its approach to building teams to how it communicates internally and externally. The customer is at the center of this and acts as the foundational layer from which to build out these new approaches and areas. An enterprise with a Phase 4 cloud customer service maturity is firing on all cylinders in a coordinated manner, towards a series of common goals.

- **Outcome** - The chief goal is to change the customer from a passive consumer of your company's products into an advocate for you and your brand. In order to do this you have to have a lot more information about the customer, including his history, preferences and motivations. In earlier phases, these data points are kept separate, walled off from each other in separate systems and databases. But with the cloud, they can more easily be linked together and analyzed coherently. The result is a unified view of the customer's experience that enables a business to have meaningful input into his choices, creating a genuine bond between business and customer to the benefit of both parties. This can be achieved by stitching together various premise solutions but it can be very expensive and time consuming especially with version upgrades and ongoing integrations and tuning needed to support different solutions.
- **Objective** - Fundamental to that transformed relationship is tracking the customer experience. The essential component of the customer experience (and much of the value of it) is derived from seeing it as closely as possible from the customer's journey and point of view. In order to influence and monetize the customer experience, enterprises must learn to measure and track a broader range of interaction inputs, and take advantage of the data that exists in the digital universe. This requires a set of interaction management tools beyond CRM, and forces businesses to consider the disconnect between their narrow view of the customer experience and the customer's broad one.
- **Engagement** - The transition from Phase 3 to Phase 4 involves a shift in how people within the enterprise communicate. By Phase 3, the external landscape is broad, with a multiplicity of contact channels converging largely on the contact center. In Phase 4, an enterprise has to turn that inward, to connect different departments to share data and workflows among a wider variety of possible stakeholders. This enables the enterprise to have a full vision of the customer journey.

- **Technology** - In order to make this a reality, enterprises need to deploy technology that is much more flexible, scalable and cost-effective than traditional service-delivery tools. In effect, they need to integrate many diverse customer-care applications (including call handling, CRM, and analytics); the best way to ensure interoperability is to unify deployment and operations via the cloud. Phase 4 enterprises will have shifted from a primarily premises-based toolset to a service-based infrastructure that gives them access to the innovative features they need for advanced customer experience management.
- **Process** - In this advanced scenario, enterprises will be able to build workflows that seamlessly interact between channels and departments. When they see the big picture, they can better allocate resources to create a clearer line of sight to the customer. This means developing an outside-in approach to the customer experience where enterprises can assess and discover how their customers engage with their products and services, and identify customer effort.
- **Structure** - Enterprises in this phase have the ability to regularly audit their internal departments and processes that touch customers. This includes processes that come in from the customer and that reach out towards them. It should also include broader “multi-customer” efforts to affect customer views that stem from marketing or advertising initiatives. Once the full range of a company’s impact on customers is understood, it makes sense to map current efforts to the available contexts and determine where the company has an actual (or implied) ability to change customer behavior.

Cloud technology makes it possible to become a Phase 4 enterprise. But in order to harvest the benefits – to truly leverage the technology to influence and monetize the customer experience and make customers into brand advocates – enterprises have to look deeply at their own processes. Transformation comes from integration, breaking down silos, smoothing out hierarchies and focusing on universal goals.

## Cloud customer service in action: a case study

Ovum interviewed an Oracle customer, Sedo, to obtain a deeper level perspective into the impact of cloud customer service in its respective business practices. To provide a frame of reference Sedo is moving from phase 2 to phase 3 along the cloud customer service maturity model having experienced success leveraging the cloud deployment model and the inherent advantages of cloud customer service in prior phases.

### Sedo: Moving from Phase 2 to Phase 3

Sedo operates one of the largest internet domain marketplaces in the world, with more than 690,000 members around the globe buying and selling internet addresses through Sedo. Founded in Cologne, Germany, in 2001, Sedo has 180 employees spread across Germany, London and Boston. Sedo’s main services include a wide range of professional offerings for the purchase and sale of registered domain names, the appraisal, transfer, and promotion of domains, brokerage services—and domain parking.

The company receives thousands of customer service email enquiries per day and used to process these enquiries with a traditional email system staffed by fourteen full time employees. This approach led to SPAM issues and resulted in a backlog in response time of seven days which was highly inefficient and severely affected the quality of customer service.

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Given the pressure to make improvements in internal SLAs and the quality of customer care Sedo evaluated a variety of CRM solutions and ultimately chose Oracle RightNow (back in 2008) because the vendor's approach to CRM was the only one that was convincing and conformed to Sedo's needs. This was underpinned by the fact that Oracle RightNow is a cloud solution. Sedo first rolled out email management, knowledgebase and FAQ with Oracle RightNow.

### ***The results***

Today Sedo is able to provide its customers with an improved and across-the-board positive service experience. The company has successfully off-loaded many of its customer service interactions to the internet, reduced email traffic by up to fifty-five percent and decreased the time taken to respond to email enquiries from seven days to 22 hours. Given this dramatic change, Sedo was also able to reduce its staff by 50% which provided for a strong ROI. At the same time, by implementing Oracle RightNow, Sedo has been able to strike back against SPAM.

Sedo's initial deployment with Oracle RightNow for customer care was highly successful and since then Sedo has added new functionalities (and introduced new customized processes and workflows) with relative ease given the modular approach provided by Oracle RightNow. These new functionalities include surveying to gauge customer satisfaction levels, salesforce automation, fraud activity tracking, and discussion board aimed at cultivating community feedback, suggestions and ideas from Sedo customers. The company has also woven these information silos and touchpoints together on the Oracle RightNow platform to enable orchestration and consistency across the company. Sedo plans on implementing social media monitoring tools on the Oracle RightNow solution in the near future.

"The fact that we can now keep an eye on total operations expenses with Oracle RightNow's SaaS solution was just one of the product's benefits. Another bonus is that it is a flexible and forward-looking solution. We've grown considerably in the past few years and are currently handling domains in twenty-one countries," said managing director Marius Würzner. "So we needed a solution that would grow with us, yet which would also offer our clients a perfect customer experience. Oracle RightNow features the scalability and modularity to do both."

## **Conclusion**

Competing in today's highly competitive environment requires enterprises to have an agile technology infrastructure to support customer service effectively and efficiently and to improve the overall customer experience. The contact center is at the heart of customer care and therefore it is prudent for you to adopt a systematic approach to enhancements in performance, channel support and engagement, and reporting and analytics to successfully support a customer base where customer preferences keep changing.

Although the common goals for any customer-centric enterprise are the same – efficient, cost effective contact centers and satisfied customers – the architecture and approach in deploying a cloud solution is significantly different from a premise-based solution. In order to take advantage of the benefits of a cloud model, you must change your way of thinking as cloud customer service provides a level of agility and transformational qualities that will help you successfully impact customer service and the larger customer experience if applied strategically. This will aid you in sustaining a long term competitive advantage in an era when products and services are becoming commoditized at a quicker pace due to globalization.



## APPENDIX

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