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# Navigate The Future Of Customer Service

by Kate Leggett  
for Business Process Professionals



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## Navigate The Future Of Customer Service

Fifteen Trends Drive Planning For Customer Service Transformation

by **Kate Leggett**

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### EXECUTIVE SUMMARY

This report outlines Forrester's solution for business process executives supporting customer service operations. It is designed to help business process execs understand the future of customer service and the key business trends that will unfold over the next five years. The report summarizes the top 15 customer service trends to help improve the customer service experience and contain operational costs that Forrester is tracking in 2012. Use our customer service trends impact analysis framework to pinpoint the key steps to make your plans bulletproof.

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### NOTES & RESOURCES

We reviewed Forrester's most recent research in the customer service and CRM solution spaces. We also analyzed our most recent inquiries from customer service solution buyers and users and reviewed information published by vendors, industry analysts, and the media.

#### Related Research Documents

["Craft Your Contact Center Investment Plans In Light Of Technology Adoption Patterns"](#)

November 7, 2011

["To Invest Wisely, Know The Business Value Of Diverse Contact Center Solutions"](#)

November 7, 2011

["TechRadar™ For Business Process Professionals: Contact Center Solutions, Q3 2011"](#)

August 29, 2011

## CUSTOMER SERVICE LEADERS STRUGGLE TO BALANCE COST AND SATISFACTION

Eighty-six percent of customer service decision-makers say that a good customer experience is one of their top strategic priorities.<sup>1</sup> Sixty-three percent say that they want their customer experience to be the best in their industry, and 13% say that they want to be a leader in customer experience across all industries. However, the reality is that few companies are doing anything about optimizing the service experience. Companies are still primarily focused on cost control measures, and only 30% of companies have dedicated budget to customer experience initiatives. It's no surprise, then, that most service experiences leave a lot to be desired.<sup>2</sup> And customers are quick to voice their opinions — a voice that is amplified by social media tools.<sup>3</sup> News of poor customer service spreads quickly and erodes a company's brand image.

Good service is hard to deliver because the contact center technology ecosystem that customer service organizations use has grown more complex over time as new communication channels — traditional and social — and technologies have become available. The constant churn of vendor mergers and acquisitions as sectors consolidate creates product and support risks that are beyond the control of customer service planners. New service delivery models, such as more extensive managed services and cloud-based offerings, present new opportunities for customer service executives — but it's not clear whether they truly help the enterprise transform its overall customer experience.

Looking ahead, what trends will dominate the planning agendas of business and IT professionals responsible for leading and supporting customer service and support organizations in 2012? Use our customer service trends impact analysis framework to pinpoint the key steps to make your plans bulletproof (see Figure 1).

**Figure 1** Customer Service Trends Impact Analysis Framework

Opportunity area	Trend	Impact on our organization			Indicated action
		Low	Medium	High	
<b>Agent-facing capabilities</b>					
Customer history	Firms will internalize the importance of the universal customer history record				
Agent experience	The agent experience will no longer be an afterthought				
Knowledge management	Agent knowledge will become a core requirement for outstanding service				
Search-based applications	Search-based apps will add business value to complex service interactions				
Next best action	Customer service will rely on next best action				
Business process management	Business process management will extend its reach to the front office				
Customer data management	Adopting customer data management best practices will remain a challenge				
<b>Customer-centric improvements</b>					
Agile customer service	Customer service will evolve from multichannel to agile				
Mobile customer service	Mobile customer service applications will become a must-have capability				
Customer feedback	Use of end-to-end customer feedback processes across channels will rise				
Proactive outbound	Customers will learn to rely on proactive outbound communication				
<b>Enabling solutions</b>					
Best-of-breed solutions	Vendors will struggle to prove the value of best-of-breed solutions				
Software-as-a-service (SaaS)	SaaS for customer service will become a credible option				
Outsourcing	Outsourcing will slowly gain market share as new models emerge				
Service-oriented architecture (SOA)	SOA adoption will continue to move forward				

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Source: Forrester Research, Inc.

## LEADERS WILL EMPOWER THEIR AGENTS TO DELIVER OPTIMAL SERVICE

Customer service organizations strive to deliver a differentiated service experience for their customers that adds value to commoditized products and services and increases the loyalty of their customer base. Customer loyalty has economic benefits as measured over three dimensions: willingness to consider another purchase, likelihood to switch business to a competitor, and likelihood to recommend to a friend or colleague.<sup>4</sup> Forrester data shows that the revenue impact of a 10-percentage-point improvement in a company's customer experience score can exceed \$1 billion.<sup>5</sup>

Customer service organizations are paying increased attention to providing customer service agents with the information, knowledge, and data they need at the right time in the resolution process in order to increase first closure rates for incidents while keeping handle times down and satisfaction high. Companies must understand seven important trends to be able to do this well.

### Trend 1: Firms Will Internalize The Importance Of The Universal Customer History Record

In order to be able to deliver personalized service that strengthens the relationship that customers have with companies, customer service agents must have access to the full history of a customer's prior interactions over all the communication channels — voice, electronic channels like chat and email, and the newer social channels like Facebook and Twitter — that they have used. The universal customer history record allows the agent to quickly add value to a new interaction by building on information that has already been communicated to the customer. In 2011, we saw enterprises start to break down the siloed implementations of communication channels by either reimplementing multichannel customer service solutions or by more deeply integrating existing standalone communication channels and making a unified customer history accessible to their agents. We also continue to see firms make organizational changes to bring the management of these channels under the same executive leadership.

In 2012, vendors will continue to add the management of social channels to their customer service products. This will allow organizations to manage the queuing and routing of social inquiries in the same manner as voice and electronic inquiries. It will also allow firms to append social interactions to the universal customer record and manage their SLAs in the same way as they do for other channels. Companies are slowly moving the management of social inquiries out of marketing departments and into customer service centers.<sup>6</sup> In the coming year, expect this trend to gain momentum as companies formalize the business processes and governance structures of managing social inquiries.

### Trend 2: The Agent Experience Will No Longer Be An Afterthought

A good web user experience yields quantifiable business results as measured by the ability to deliver contextual content to the user, provide better navigation, and present the content in a more usable manner.<sup>7</sup> There are hundreds of examples of companies that have achieved significant results by improving the usefulness and usability of their sites.<sup>8</sup> Customer service agents, who use tens or even hundreds of disconnected applications during their workday, are demanding that the same focus on usability be applied to their tool set.

In 2012 and beyond, customer service leaders will continue to work on simplifying the agent workspace and making it more usable. This includes removing extraneous data elements from agent screens, automating tasks to increase agent productivity, and making information that will help personalize the interaction — such as the products that the customer owns, the services they subscribe to, and what customer tier they're in — easily accessible to agents. These efforts also involve deploying customer-centric task flows that map to frequent call types, where tasks can be accomplished using the least number of steps.

### **Trend 3: Agent Knowledge Will Become A Core Requirement For Outstanding Service**

Knowledge management solutions are becoming a critical necessity for agents who rely on standardized answers to efficiently and effectively answer the exponentially increasing range of customer inquiries about products, services, transactions, and policies. In recent years, knowledge management has become a key component of customer service solutions, as the number of acquisitions in this space highlight: Consona acquired Knova Software; RightNow Technologies acquired Q-Go.com; Servigistics acquired Kaidara; salesforce.com acquired InStranet; Oracle acquired InQuira; and Oracle also announced its intent to acquire RightNow.<sup>9</sup> These acquisitions highlight that knowledge is more powerful if it can be delivered in a proactive way, contextualized to the customer's persona and the issue at hand.

During 2012, expect companies to invest in aligning their knowledge management solutions with best practices for an increased ROI.<sup>10</sup> The focus will also be on making knowledge deployments more agile so that content grows quickly, in line with customer demand, and with minimal management overhead. Expect customer service organizations to 1) tightly link case management solutions with knowledge management solutions for greater service efficiencies; 2) make knowledge more social by tightly linking social media sites like communities with knowledge management solutions; 3) publish content without arduous review cycles; 4) become more data-driven by using analytics to obtain insights on the value of content; and 5) use information from successful interactions to dynamically rank content for more successful search experiences.

### **Trend 4: Search-Based Applications Will Add Business Value To Complex Service Interactions**

Customer service agents often need to aggregate structured and unstructured information from multiple sources, such as knowledge management solutions, bug tracking databases, customer case records, billing and other transactional systems, discussion forums, and engineering documentation repositories, to resolve a customer inquiry. This is particularly the case for tier three and tier four support. Customer service organizations are turning to search-based applications that overlay knowledge and information repositories and allow agents to access consolidated and correlated information in unified dashboards. Text analytics extend the power of these search applications by correlating information from disparate systems to allow firms to detect and handle potential product issues.

In 2012, companies with significant volumes of complex customer service interactions will leverage search-based applications to complement their knowledge management solutions. However, organizations will increasingly ask for ROI models to justify the purchase of these solutions, as they are expensive. In addition, expect search vendors to continue to mature their search solutions targeted for customer service by offering business-friendly query, analysis, and visualization capabilities.<sup>11</sup>

#### **Trend 5: Customer Service Will Rely On Next Best Action**

Targeted offers are a core ingredient of a customer service strategy of cross-selling and upselling. Organizations must optimize all offers that the agent presents to the customer, as well as agent actions such as whether or not to present an offer based on the customer's satisfaction with the interaction. The ability to optimize agent actions may be driven by rules, based on predictive models, or a combination of the two.

In 2012, customer service organizations will continue to investigate methods to recommend agent next best actions during the service resolution process in an attempt to offer service tailored to the customer's unique needs and past purchase history.<sup>12</sup> These next best actions are not limited to cross-sells and upsells, but also help guide agents through the most successful resolution path by presenting them with what the next best process step that is aligned with business imperatives would be.<sup>13</sup> Expect predictive analytics vendors to continue to move away from selling decisioning platforms that power next best actions to selling packaged usage scenarios for customer service that are easier to deploy and monetize and that include business-friendly tools to create and tune models.

#### **Trend 6: Business Process Management Will Extend Its Reach To The Front Office**

In recent years, we have started to see organizations attempt to formalize agent actions in an effort to standardize service delivery, minimize agent training times, ensure regulatory and company policy compliance, and control costs.<sup>14</sup> Traditional business process management (BPM) vendors have moved into the customer service space, some traditional niche customer service vendors now offer BPM capabilities, and a new set of vendors offering hybrid BPM and customer relationship management (CRM) capabilities has gained traction.<sup>15</sup> These solutions allow you to visually model customer service process flows. When deployed, agents are led through a set of process steps that map to UI screens. Agent screens contain the scripts, knowledge, and back-end data that are relevant to that step of the process.

In 2012, expect to see continued focus on guiding agents through the service resolution process and on the end-to-end process, which may involve back-office tasks. Vendors in this space will continue to mature their offerings with more sophisticated decisioning logic and simpler visual modeling tools geared toward the business user. We will also see better reporting and analytics to monitor overall key performance indicators (KPIs) and optimize the success of each process flow. Expect to also see best-practice process flows and industry-specific solutions available out of the box.

## **Trend 7: Adopting Customer Data Management Best Practices Will Remain A Challenge**

Only a few customer service leaders recognize that addressing data quality (DQ) issues is necessary to move the needle on customer satisfaction. In a recent Forrester survey of members of the Association of Business Process Management Professionals (ABPMP), of the 45% who reported that they are working on improving CRM, only 38% have evaluated the impact poor-quality data has on the effectiveness of those processes.<sup>16</sup> And of the 37% of respondents working on improving the customer experience for external-facing processes, only 30% proactively monitor data quality impacts. This inattention to data quality issues in customer service initiatives affects the quality of service delivered; agents do not trust the customer and product data they have access to, leading to a decrease in productivity as the agent verifies information at hand. This also means that customers are frustrated by longer handle times and a lack of personalized service. In addition, data conflicts and duplicate data increase operational costs and noncompliance rates.<sup>17</sup>

In 2012, data management specialists who support customer service operations will continue to face challenges in convincing business process owners to take ownership and accountability for the quality and usefulness of the supporting customer data. For progress to be made, customer service leaders must understand how investments in DQ and master data management directly improve and optimize these core customer service metrics. Only when the business takes responsibility for the master data that affects the business processes and decisions it already owns will your customer data management efforts truly become a strategic investment that can deliver significant business value.

## **CUSTOMER CENTRICITY WILL FUEL IMPROVEMENTS TO CUSTOMER SERVICE**

Customers know what good service is and demand it from every interaction that they have with a company. Forrester data shows that 68% of US consumers say that they've had unsatisfactory service interactions in the past 12 months.<sup>18</sup> In addition, the recession is driving customer service expectations higher. Consumers have been sympathetic to the challenges that businesses have faced during the past two years, but that sympathy was not accompanied by amnesty: 70% of online consumers expect businesses to try harder to provide superior online customer service.

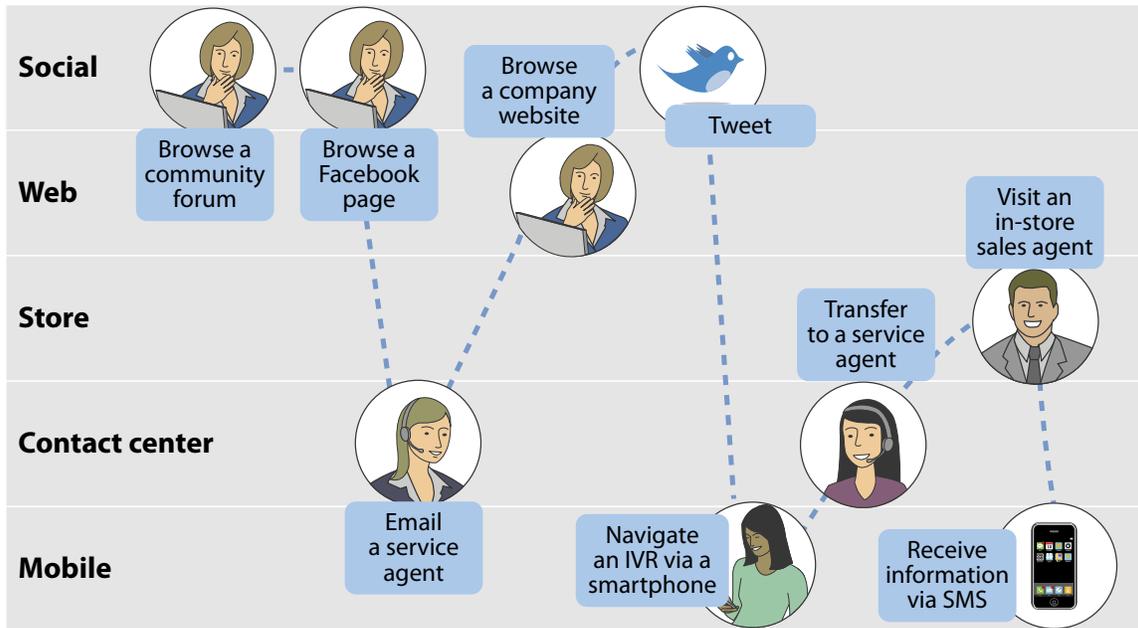
The cost of providing suboptimal service is staggering. For example, customers expect to be able to resolve prepurchase questions, manage their accounts, and receive post-sales support online. Three-quarters of consumers move to another channel when online customer service fails, and Forrester estimates that unnecessary service costs to online retailers due to channel escalation average \$22 million.<sup>19</sup> As you finalize your plans for 2012, take into account these four customer service trends that drive the customer support strategies that organizations tell us are at the top of their agendas to ensure that your customer service is in line with your customers' expectations.

**Trend 8: Customer Service Will Evolve From Multichannel To Agile**

Customers expect to use a broad range of communication channels, including voice, electronic, and social channels, to interact with a company. Customers also expect service to cross touchpoints — that is, they expect to be able to start an interaction in one communication channel and complete it in another (see Figure 2). For example, they should be able to start an interaction over the phone and follow up with an email containing more detailed information. Each interaction should convey consistent data and information to the customer. Customers are also pushing for greater alignment of service, sales, marketing, and brand so that they can interact with a company in a cohesive manner.<sup>20</sup>

In 2012 and beyond, customer service management professionals will continue to work on breaking down communication silos within and outside of customer service and standardizing the resolution process and customer service experience across these communication channels. This includes the knowledge and data delivered across all channels as well as the outcome of the interaction. To be able to do this, companies will look at embracing universal queuing and routing methods. In addition, customer service organizations will make it easier for customers to use multiple communication channels during the course of a multistep interaction and not have to repeat prior interactions.

**Figure 2** Customers Demand A Consistent Service Experience Across Communication Channels



### **Trend 9: Mobile Customer Service Applications Will Become A Must-Have Capability**

Mobile phones are nearly ubiquitous: 88% of US adults own them, and 21% of US adults fall into Forrester's SuperConnected category.<sup>21</sup> SuperConnected consumers use their phones for information, research, and commerce. Mobility is also important in CRM. According to destinationCRM.com, 44% of companies plan to grant access to their CRM systems via mobile devices.<sup>22</sup> And in a 2011 BearingPoint survey, organizations reported that mobile CRM delivered significant improvements in key metrics, including a 60% increase in customer satisfaction, a 30% increase in sales, and a 30% increase in productivity. Today, virtually all customer service vendors offer some mobile customer service capabilities.<sup>23</sup> Many specialty customer service vendors supporting field agents also have robust and comprehensive mobile extensions of their applications.

In 2012, more customers will demand the ability to interact with customer service organizations via mobile devices to register products, locate stores, create support tickets, and receive value-added services and incentive offers. In addition, customers will demand multimodal capabilities from mobile devices — for example, reading a FAQ sent by a customer service agent while speaking to him. Companies will also move away from merely duplicating their web presence in their mobile offering and focus instead on deploying the right mobile usage scenarios that add value to customers and which leverage the native capabilities of these devices, such as camera, video, and GPS functions that are optimized for the device type, operating system, and form factor.<sup>24</sup>

### **Trend 10: The Use Of End-To-End Customer Feedback Processes Across Channels Will Rise**

It is critical for a company to receive feedback about its products, services, and organizational processes so it can optimize the customer service experience.<sup>25</sup> This can be done via traditional channels, such as surveys, as well as by listening to the explosion of customer comments and sentiments over social channels. In 2011, many companies lacked formal methods to gather traditional or social feedback, analyze it, and set up process flows to act on pertinent feedback, much less to integrate that information back into continuous improvement initiatives.<sup>26</sup> Many vendors offered customer service analytics packages but did not provide an easy way to separate the noise from actionable feedback or the ability to route feedback to organizational groups where it could be best addressed.

In 2012, companies will double down on their efforts to put end-to-end feedback processes in place across all communication channels — both traditional and social. Vendors have been making it easier to link feedback to customer records due to the acquisition of social listening and enterprise feedback companies by CRM and workforce optimization vendors.<sup>27</sup> Expect vendors to integrate these acquired capabilities deeply into their customer service products and provide the next generation of collaborative communication tools, sentiment analytics, and the ability to close the loop with the user.

### **Trend 11: Customers Will Learn To Rely On Proactive Outbound Communication**

Proactive outbound communications notify customers of key events of interest to them, such as flight schedule changes, bank balance changes that exceed a certain threshold, or the need to pay a new bill. Consumers can identify their preferences for the types of communications they want to receive, the channel they want to receive them on (e.g., voice, email, SMS), and the times during which notifications should not be sent. “Proactive outbound” helps deflect inbound calls, reducing costs and boosting consumer satisfaction. Proactive outbound saw healthy growth in 2011, as predicted by the Forrsights Networks And Telecommunications Survey, Q1 2011, which indicated that 39% of enterprises were planning to invest in proactive outbound during 2011.<sup>28</sup>

In 2012, organizations will continue to adopt proactive outbound communications to help personalize service. The range of channels for proactive outbound will increase to include social channels, such as Facebook and Twitter, and the types of communications will expand to include service alerts, workarounds, customized cross-sell and upsell offers, and new knowledge base content.<sup>29</sup> For example, governments will embrace proactive outbound to push timely information, such as weather alerts, payment reminders, water usage restrictions, building inspection approvals, service appointments, and boil-water notices, to citizens to help contain costs. More powerful smartphones and increased bandwidth will allow proactive outbound applications to use rich media with embedded links to improve the user experience. Outbound communications technology will also be more deeply integrated into the contact center to support scenarios where customers want to connect to an agent after receiving a message.<sup>30</sup>

## **CUSTOMER SERVICE WILL ADOPT ENABLING SOLUTIONS**

The need to evolve business processes and technology to better serve customers was at the top of the planning agenda for many organizations in 2011, and it will continue to be critically important in 2012. As you set your plan for the next 12 months, take these four trends into account.

### **Trend 12: Vendors Will Struggle To Prove The Value Of Best-Of-Breed Solutions**

Customer service solutions have matured and many large CRM suite vendors offer “good-enough” solutions for most uses.<sup>31</sup> Smaller customer service vendors offering single-purpose niche solutions have been feeling the effect of this technology maturation; they have either been purchased — so that their products are now part of a larger suite solution — or they have formed deep partnerships with larger CRM players.<sup>32</sup>

In 2012, buyers will be in a strong position to push best-of-breed vendors to demonstrate the differentiation and measurable business value of their solutions compared with the capabilities available in CRM suites’ customer service solutions through pilot demonstrations, strong customer recommendations, and more flexible contract arrangements. This differentiation must then be weighed against the pain of integrating coupling multiple customer service solutions, the overhead of managing multiple contracts from different vendors, and the risk of these best-in-breed solutions being acquired.

### **Trend 13: SaaS For Customer Service Will Become A Credible Option**

Our most recent research tracks the continued adoption of software-as-a-service (SaaS) CRM solutions. A recent survey on SaaS technology adoption revealed that 23% of firms use SaaS for CRM, with 11% of these respondents indicating that they are expanding usage. An additional 8% planned to implement SaaS for CRM within a year.<sup>33</sup> Vendors are realizing this trend and are doubling down on efforts to offer comprehensive customer service SaaS solutions. In addition to salesforce.com, the most well-known CRM SaaS solution, all major CRM suite vendors that offer a customer service solution now have a SaaS option, including Microsoft (Dynamics CRM), Oracle (CRM On Demand and RightNow), SAP (Business ByDesign), and Sage (CRM and SalesLogix). In addition, a new crop of SaaS-based social customer service solutions like Assistly (acquired by salesforce.com), FuzeDigital, Get Satisfaction, and Zendesk have gained market attention. However, SaaS has characteristics that require new ways of thinking about vendor selection, contracting, risk tolerance, and organizational skill set requirements.

In 2012, customer service organizations will continue to evaluate their SaaS strategy. They will also continue to mature their skills that address emerging needs around SaaS and cloud initiatives, such as adopting Agile development, understanding new usage-based pricing models, having realistic expectations around performance SLAs, and implementing risk mitigation plans in the case of mergers, acquisitions, or vendor failures.<sup>34</sup>

### **Trend 14: Outsourcing Will Slowly Gain Market Share As New Models Emerge**

Customer service organizations continue to consider outsourcing their operations in an attempt to reduce the cost of providing customer support. However, contact center outsourcing requires the alignment of not only people skills, but also business processes and technology infrastructure between the provider and the enterprise. Thus, many companies choose not to outsource their entire operations but to run their own contact centers and use outsourcers to fill gaps in language skills and seasonal capacity. Many companies also outsource service requests that are not mission-critical and thus have limited impact on the company's brand. In 2011, 11% of companies outsourced, 7% were "very interested" in outsourcing, and another 7% were "interested" in outsourcing their operations.<sup>35</sup>

In 2012, expect outsourcing to slowly gain market share as outsourcers continue to invest in their multichannel customer service technology. Expect to see more companies looking to outsource their contact center technology while staffing customer operations with their agents. Gain-sharing contracts, where outsourcers and companies agree to share financial gains as a result of continuous improvement and/or innovation, will also become more popular.

### **Trend 15: SOA Adoption Will Continue To Move Forward**

The customer service technology ecosystem is comprised of many disparate technologies.<sup>36</sup> Customer service organizations have built up their technology infrastructure over time using

discrete point solutions. Customer service leaders recognize that they can better leverage the power of these technologies by integrating them. Instead of apps being rigidly hard-wired, enterprises have adopted service-oriented architecture (SOA), which reduces IT complexity via its ability to provide an agile framework that can adapt to rapid changes. SOA adoption has moved forward in recent years; Forrester data indicates that SOA penetration — the percentage of firms using SOA plus those planning to use it within 12 months — has risen to 71% among enterprises and 46% among SMBs.<sup>37</sup> In addition, 77% of enterprises and 81% of SMBs are satisfied with SOA — that is, respondents indicated that the technology has provided enough benefits that their organization will expand its use of SOA.

The worldwide economic slump will continue in 2012. Mergers and acquisitions will prevail, and businesses will continue to be pressured to prove their value and strive for differentiation. Expect SOA adoption to continue its forward momentum in contact centers, as SOA allows organizations to be more adaptable to changing their business capabilities and logic to stay competitive. Sectors like telecom, financial services, and insurance, which are particularly prone to acquisitions or which demand a high amount of business agility, will continue to lead the SOA transformation wave, while industries like the public sector and healthcare will continue to lag.

## RECOMMENDATIONS

### PRAGMATIC EXECUTION IS THE KEY TO SUCCESS

The economy continues to struggle as we enter 2012. Firms will continue to undertake customer service projects selectively, and a sound business case and execution remain critically important. You need to pinpoint the opportunities for quick wins, define a set of small projects to be executed in a stepwise fashion, and execute flawlessly. To be successful, be sure to:

- **Audit your customer service ecosystem.** Perform a thorough audit of the customer service technologies you use as well as the processes you support across the different communication channels. Understand the maturity of the technologies you have, using Forrester's TechRadar™ for Contact Center Solutions to guide you.<sup>38</sup> Pinpoint newer technologies and business process changes to deliver a better customer service experience.
- **Understand your customer.** Survey your customers to understand how they want to interact with your customer service organization. Use this data to formulate plans to evolve your offering.
- **Build a sound business case.** Be pragmatic in choosing projects to tackle. Build a sound business case using Forrester's Total Economic Impact™ (TEI) methodology to justify your initiative. Then follow best practices in executing your changes.<sup>39</sup>
- **Incorporate feedback loops.** Your work is never done. Continually measure the success of customer service interactions against cost and satisfaction goals. Look for ways to evolve customer service in a way that it stays aligned with your company's overarching goals and mission.<sup>40</sup>

## WHAT IT MEANS

### CAPITALIZE ON TRENDS TO LEAPFROG THE COMPETITION

Improving customer service business processes remains at the top of the agenda for companies of all types as they struggle to compete for the favor of fickle consumers or hang onto tightfisted business buyers. Success requires careful thinking about the business capabilities and enabling technologies that will be most important to differentiating your firm in the marketplace. If your company tries to chase too many rabbits, it will catch none. Forrester's top customer service trends for 2012 are guideposts pointing the way to high-yield improvement opportunities that are ready for you to capitalize upon.

## ENDNOTES

- <sup>1</sup> Forrester surveyed 118 customer experience decision-makers from large North American firms to gauge the importance of focusing on a customer experience strategy and the types of customer experience projects undertaken. See the February 17, 2011, "[The State Of Customer Experience, 2011](#)" report.
- <sup>2</sup> Customers expect to be able to resolve prepurchase questions, manage their accounts, and receive post-sales support online. The cost of failing to meet these expectations is high: 75% of consumers move to another channel when online customer service fails, and Forrester estimates that unnecessary service costs to online retailers on average due to channel escalation are \$22 million. See the January 13, 2011, "[2011 Will Challenge The Status Quo Of eBusiness Online Customer Service](#)" report.
- <sup>3</sup> In 2009, only 16% of consumers who had unsatisfactory service interactions shared their experiences through any of the social methods we asked about. In 2010, that number grew to 24% — a 50% annual growth rate. Two individual methods saw even greater growth: posting an update to a social networking site and tweeting. See the June 20, 2011, "[Updated 2011: How Consumers Complain About Poor Service](#)" report.
- <sup>4</sup> Forrester data confirms the strong relationship between the quality of a firm's customer experience (as measured by Forrester's Customer Experience Index [CxPi]) and loyalty measures like willingness to consider the company for another purchase, likelihood to switch business, and likelihood to recommend. See the July 7, 2011, "[The Business Impact Of Customer Experience, 2011](#)" report.
- <sup>5</sup> To help customer experience professionals prove the business value of a better enterprise customer experience, we built simple models that show how revenue increases when a company's Customer Experience Index (CxPi) score goes up. Our models show that the benefits are significant across all 11 industries we looked at. Wireless carriers and hotels have the largest potential upside: more than \$1 billion. Customer experience professionals should use the interactive models in this report to estimate the range of benefits their firm might see. That data — combined with customers' verbatim comments and customer experience stories — will help customer experience leaders make a powerful case for change. See the July 7, 2011, "[The Business Impact Of Customer Experience, 2011](#)" report.
- <sup>6</sup> Forrester, in conjunction with CustomerThink, surveyed 75 contact center decision makers to understand their adoption patterns of 18 different technologies. The study found that 47% report that they have implemented or are expanding their customer communities, 42% offer customer service via social sites like Facebook and Twitter, and 39% use social listening technologies.

- <sup>7</sup> Data from 60 website usability projects showed that success metrics increased when known usability problems were addressed. These problems included navigation, aligning content with user needs, and the presentation of content. See the November 12, 2010, "[Europe 2010: Fixing Known Usability Problems Pays Off](#)" report and see the October 10, 2008, "[How Much Will Your Web Site Metrics Improve?](#)" report.
- <sup>8</sup> Customer experience professionals don't have to look far to find examples of companies that achieved significant results by improving the usefulness and usability of their websites. See the October 10, 2008, "[How Much Will Your Web Site Metrics Improve?](#)" report.
- <sup>9</sup> Two major acquisitions dominated the knowledge management space in 2011: Oracle's acquisition of InQuira and Oracle's acquisition of RightNow Technologies. Source: Kate Leggett, "Standalone Knowledge Management Is Dead With Oracle's Announcement To Acquire InQuira," *Kate Leggett's Blog For Business Process Professionals*, July 28, 2011 ([http://blogs.forrester.com/kate\\_leggett/11-07-28-standalone\\_knowledge\\_management\\_is\\_dead\\_with\\_oracles\\_announcement\\_to\\_acquire\\_inquirea](http://blogs.forrester.com/kate_leggett/11-07-28-standalone_knowledge_management_is_dead_with_oracles_announcement_to_acquire_inquirea)) and Kate Leggett, "More Market Consolidation With Oracle Acquiring RightNow: More Questions Asked Than Answered," *Kate Leggett's Blog For Business Process Professionals*, October 24, 2011 ([http://blogs.forrester.com/kate\\_leggett/11-10-24-more\\_market\\_consolidation\\_with\\_oracle\\_acquiring\\_rightnow\\_more\\_questions\\_asked\\_than\\_answered](http://blogs.forrester.com/kate_leggett/11-10-24-more_market_consolidation_with_oracle_acquiring_rightnow_more_questions_asked_than_answered)).
- <sup>10</sup> Knowledge management best practices are mature and well-documented. See the March 25, 2011, "[Best Practices: Knowledge Management For Customer Service](#)" report.
- <sup>11</sup> Search-based applications (SBA) are built for specific people and processes with clear requirements such as customer support reps who need quick answers to technical questions. It's easier to measure the business impact of an SBA because they are fit to purpose. See the March 14, 2011, "[Tapping The Power Of Search-Based Applications](#)" report.
- <sup>12</sup> The goal of "next best action" is to target offers to boost customer lifetime value, deliver consistent cross-channel experiences, harvest customer leads from sales, marketing and other sources, and continue to optimize back-office orchestrations. See the April 13, 2011, "[Boost Customer Lifetime Value Through Next Best Actions In Multichannel CRM](#)" report.
- <sup>13</sup> Next best action can cost-effectively improve the consistency of service delivered across multichannel customer-facing business processes. It can also help organizations elevate agent efficiency, personalize service, and meet compliance goals. See the May 31, 2011, "[Best Practices: Next Best Action In Customer Relationship Management](#)" report.
- <sup>14</sup> Customer service managers struggle to balance customer experience and cost: Siloed communication channels, impersonal service, and an inability to enforce company processes or meet regulatory compliance negatively affect satisfaction and increase costs. By extending business process management (BPM) best practices and technology to the front office, customer service organizations can improve the consistency of service delivered, elevate agent efficiency, personalize service, and meet compliance goals — at a cost that makes sense to the business. See the October 5, 2010, "[Extend Business Process Management To The Front Office To Transform Customer Service](#)" report.

- <sup>15</sup> Niche customer service vendors such as Sword Ciboodle, KANA Software, Numara Software, Pegasystems, and others offer BPM capabilities for customer service to varying degrees. See the December 10, 2010, "[Market Overview: Customer Service Specialty Solutions](#)" report.
- <sup>16</sup> Source: September 2011 Forrester/ABPMP Global Process Data Management Online Survey.
- <sup>17</sup> Poor data quality erodes customer satisfaction. Customer service agents need the right data about customers, purchases, and prior service history presented to them at the right point in the service cycle to deliver answers. However, when their tool sets pull data from low-quality data sources, decision quality takes a hit, leading to significant rework and customer frustration. Customer service agents quickly begin to question the validity of the underlying data when data quality issues are left unchecked. This means that agents will often ask a customer to validate product, service, and customer data during an interaction, which makes the interaction less personal, increases handle times, and instills a lack of trust with the company in the customer. Customer service agents often update customer, product, and service data in multiple disconnected applications, which incurs the risk of errors. Finally, data conflicts affect noncompliance rates. For more examples of the impact of poor data quality on customer service, see the December 13, 2011, "[The Secret To Better Customer Service: High Data Quality](#)" report.
- <sup>18</sup> According to North American Technographics® Customer Experience Online Survey, Q4 2009 (US), 68% of US consumers say that they've had unsatisfactory service interactions in the past 12 months. Sixteen percent of these consumers vented through social channels, such as online customer reviews, Facebook status updates, or blog posts. See the January 13, 2011, "[2011 Will Challenge The Status Quo Of eBusiness Online Customer Service](#)" report.
- <sup>19</sup> When consumers switch from the Web to the phone, email, or chat, a company's cost to serve them goes up dramatically. Forrester built models to add up the unnecessary cost that a retailer might incur as a result of missed self-service opportunities. Calculations showed an extra \$22,567,967 in sales and service costs that could have been avoided if the website had enabled users to complete their goals online. See the February 17, 2010, "[Web Sites That Don't Support Customers' Goals Waste Millions](#)" report.
- <sup>20</sup> The technology solutions required to support end-to-end multichannel customer experiences are converging. Forrester is spotlighting this trend, which we call the rise of CXM solutions. See the September 22, 2011, "[Solutions Converge To Support Multichannel Customer Interactions](#)" report.
- <sup>21</sup> For its North American Technographics® Benchmark Survey, Q2 2010 (US, Canada), Forrester conducted a mail survey fielded in February and March 2010 of 42,792 US and Canadian households and individuals ages 18 and older. 21% are classified as SuperConnecteds — consumers who access the mobile Internet at least weekly or do multiple advanced activities monthly or more often. These are the most sophisticated users of mobile phones. 17% are classified as Entertainers — consumers who listen to music, watch video, or play games on their phone at least weekly. 9% are Connectors — consumers who use mobile for work at least 25% of their usage and who use advanced services at least monthly. 23% are Communicators, who communicate at least weekly using SMS and who may use MMS, IM, or personal email at least monthly. 36% are Talkers and 12% are Inactives — those who do not own a mobile phone. See the September 28, 2010, "[US Mobile Technographics®: 2010](#)" report.

- <sup>22</sup> Mobility has become a key corporate priority. For example, a recent Forrester survey found that 47% of firms said that supporting more mobile devices, such as smartphones, was a critical or somewhat critical telecom priority for their company, and 49% of enterprises identified supporting more mobile applications for out-of-office users as an important telecom initiative for their firm in the coming year. See the August 22, 2011, "[Best Practices: The Right Way To Implement Mobile CRM](#)" report.
- <sup>23</sup> Major CRM suite customer service solutions offer mobile capabilities to varying degrees of completeness of solution. See the July 19, 2010, "[The Forrester Wave™: CRM Suite Customer Service Solutions, Q3 2010](#)" report.
- <sup>24</sup> Mobile phones are already packed with technology. Higher-end phones have GPS, accelerometers, gyroscopes, magnetometers, Near Field Communications (NFC), and high-resolution displays. With the use of networks and other tools, contextual information can be collected. In the travel industry, firms already use time, location, and user behavior to deliver more tailored experiences. For example, Continental Airlines prioritizes different services based on the relative time to an individual's flight departure. In retail, companies are pushing alerts and offers based on location through geo-fencing technologies. Disney gives guests access to real-time information such as the location of Mickey in the park or wait times for popular rides. See the July 11, 2011, "[eBusiness: The Future Of Mobile Is User Context](#)" report.
- <sup>25</sup> Companies need to make sure that they retain their most important customers, and our research shows that customer experience has become even more connected with loyalty. Companies have reached such a level of maturity with customer experience that it's seen as a necessity rather than an optional activity. See the February 20, 2009, "[Obstacles To Customer Experience Success, 2009](#)" report.
- <sup>26</sup> Social media generates massive amounts of consumer data — and a lot of noise. Overall, this rich new source of data presents an opportunity for social intelligence — the management and analysis of customer data from social sources used to activate and recalibrate programs. Although 78% of customer intelligence professionals understand the value of social media data, far fewer are able to transform it into customer insight that drives better company strategy. See the April 28, 2010, "[How To Make Social Media Data Actionable](#)" report.
- <sup>27</sup> Examples of these acquisitions are: Salesforce acquires Radian6. Source: "Salesforce.com Signs Definitive Agreement to Acquire Radian6, the Industry's Leading Social Media Monitoring Platform," salesforce.com press release, March 30, 2011 (<http://www.salesforce.com/company/news-press/press-releases/2011/03/110330.jsp>). Verint acquires Vovici. Source: "Verint to Acquire Vovici Creating Category Leader in Voice of the Customer Solutions," Verint Systems press release, July 19, 2011 ([http://verint.com/corporate/releases\\_view.cfm?article\\_level1\\_category\\_id=7&article\\_level1\\_id=1457](http://verint.com/corporate/releases_view.cfm?article_level1_category_id=7&article_level1_id=1457)). Nice acquires Fizzback. Source: "NICE to Acquire Fizzback, Introducing the Most Complete Customer Experience Management Offering with the Integration of Revolutionary Real-Time Voice of the Customer Solution," Nice Systems press release, September 19, 2011 (<http://www.nice.com/nice-acquire-fizzback-introducing-most-complete-customer-experience-management-offering-integration>).
- <sup>28</sup> The Forrsights Networks And Telecommunications Survey, Q1 2011 is a survey fielded to 2,314 North American and European network and telecommunication decision-makers from SMB and enterprise companies with two or more employees. This survey is part of Forrester's Forrsights for Business

Technology and was fielded during February 2011 and March 2011. See the August 29, 2011, "[TechRadar™ For Business Process Professionals: Contact Center Solutions, Q3 2011](#)" report.

- <sup>29</sup> For example, VMware uses Twitter to push out new knowledge base content to its followers, deflecting calls from the contact center. See the March 25, 2011, "[Case Study: VMware Uses Knowledge Management To Empower Its Customers With Relevant Content](#)" report.
- <sup>30</sup> Proactive outbound communications embrace the agile customer journey by allowing customers to interact with agent after receiving an outbound message.
- <sup>31</sup> Customer service suite CRM vendors provide robust and complete customer service capabilities across all dimensions measured. See the July 19, 2010, "[The Forrester Wave™: CRM Suites Customer Service Solutions, Q3 2010](#)" report.
- <sup>32</sup> For example, salesforce.com made a series of acquisitions: the Ruby development software company Heroku; Radian6, a social media monitoring and engagement platform; Dimdim, a collaboration vendor; Model Metrics, a cloud services consulting company; and Rypple, a human capital management (HCM) solution. Salesforce has also now announced its intent to acquire Assistly. Nice Systems acquired enterprise feedback monitoring (EFM) vendor Fizzback. Oracle has acquired Art Technology Group (an eCommerce platform) and InQuira, a leading knowledge management solution. Oracle also announced in late 2011 its intent to acquire RightNow Technologies, a cloud CRM vendor that emphasizes customer experience and contact center technology.
- <sup>33</sup> Forrester recently surveyed more than 1,000 firms across North America and Europe in Q3 2010 to better understand software-as-a-service (SaaS) adoption and the business drivers for SaaS usage. We found that adoption continues to grow across both horizontal categories (such as customer relationship management [CRM], human resources [HR], and email) and industry-specific categories (such as SaaS for claims processing or SaaS for hospital management). See the May 3, 2011, "[The SaaS Market Hits Mainstream: Adoption Highlights 2011](#)" report.
- <sup>34</sup> Software-as-a-service (SaaS) contracting has become more important to organizations; firms are now scrutinizing deals before signing. SaaS agreements matter more than ever because of greater quantities of mission-critical data and larger dollar amounts across a wider range of technology categories. See the September 13, 2011, "[Inquiry Spotlight: SaaS Pricing And Contracting, Q3 2011](#)" report.
- <sup>35</sup> This data is from the Forrsights Networks and Telecommunications Survey, Q1 2011, to which 304 North American and European network and telecommunications decision-makers provided input. See the October 27, 2011, "[Contact Center Purchase Plans 2011](#)" report.
- <sup>36</sup> Forrester investigated the adoption of 24 technologies in contact centers; however, many other types of CRM, workforce optimization, and unified communications technologies exist in contact centers. See the August 29, 2011, "[TechRadar™ For Infrastructure And Operations Professionals: Contact Center Solutions, Q3 2011](#)" report.
- <sup>37</sup> Forrester's Forrsights Software Survey, Q4 2010, was fielded to 2,403 IT executives and technology decision-makers located in Canada, France, Germany, the UK, and the US from SMB and enterprise companies with

two or more employees. Results show that all sizes of organizations moved ahead in their adoption of SOA. 71% of enterprise respondents say they are already using SOA or will be by the end of 2011. For small and medium-size business (SMBs), SOA penetration is at 46% — a respectable number considering that SMBs tend to be slower in adopting major technology directions. See the March 22, 2011, [“SOA Adoption 2010: Still Important, Still Strong”](#) report.

<sup>38</sup> Forrester uses the TechRadar methodology to make projections for more than a decade into the future of the use of technologies in a given category. We make these predictions based on the best information available at a given point in time. Forrester intends to update its TechRadar assessments on a regular schedule to assess the impact of future technical innovation, changing customer and end user demand, and the emergence of new complementary organizations and business models. See the August 29, 2011, [“TechRadar™ For Infrastructure And Operations Professionals: Contact Center Solutions, Q3 2011”](#) report.

<sup>39</sup> Underlying any investment is the ever-present question of “What am I going to get for my money?” To answer this question, Forrester developed the Total Economic Impact™ (TEI) methodology. TEI provides a rigorous cost and benefit analysis framework that explicitly incorporates an evaluation of future technology and business flexibility and associated risk. See the August 4, 2008, [“The Total Economic Impact™ Methodology: A Foundation For Sound Technology Investments”](#) report.

<sup>40</sup> Not all companies have the same success metrics. Understand the ones that matter to you and your brand. See the October 1, 2007, [“The Right CRM Metrics For Your Organization”](#) report.

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