State of Customer Service Experience 2016

New Data Reveals
Omni-Channel Wake Up Call on Customer Effort
Service Gaps Identified Across Digital Channels

Preface

With the accelerated growth of mobile and digital technologies, consumers are engaging with more channels for customer service than ever before. Yet consumers say it's still so hard to navigate and resolve customer service issues across those channels.

The convergence of digital technology and customer care has been a boon for always-on consumers eager to manage interactions with companies on their own terms. There was a time when companies controlled when consumers communicated with them, using business hours to help manage the call volume of lean customer service departments. Today, consumers are in the driver's seat with 24/7 access to communication channels that allow them to share queries, comments and complaints with companies (and the world) when it best suits *them.*

Control has shifted but this is a change that can benefit consumers and brands, alike. For the second year, The Northridge Group takes a closer look at how businesses and consumers are connecting—where it's working and where it's not—in its *State of Customer Service Experience 2016* report.

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Introduction

For companies seeking to drive sales, service, reputation and customer loyalty through omni-channel communications, the opportunity—and challenges—have never been greater.

As consumers continue to flock to digital, the number of channels they use to communicate with businesses has grown. While some view this as a scattershot fragmentation of customer communications, savvy brands recognize this as an opportunity to seamlessly connect across channels to establish their voice with consumers, creating better customer service experiences, driving brand preference—and loyalty.

This year, The Northridge Group's *State of Customer Service Experience 2016* report takes a fresh look at channel preferences, response times, issue resolution by channel, customer effort and the importance of customer service experience in purchasing decisions. In doing so, we identify critical gaps between customer service expectations of excellence, ease and accessibility and disappointing realities punctuated by a counterintuitive lack of usability and response.

Through omni-channel communications, companies have an opportunity to establish a voice, a conversation and a relationship with customers like never before. Our data shows that consumers want this connection and many are eager to engage with the myriad of channels now available to help them get it. More times than not, it begins with the digital experience.

Clearly, the most significant growth is in self-service digital and personalized, agent-assisted customer service channels such as online chat and text message. Consumers are seeking time-effective ease of use and first contact resolution *across* channels rather than within one. Ultimately, the companies

that know what customers are looking for within *each channel* and deliver the most seamless experience across all channels will have a competitive advantage. The use of omni-channel analytical tools is enabling companies to better understand how customers are leveraging each channel and where they are experiencing friction. Solutions like customer journey mapping and quality monitoring - both of which focus on the voice of the customer - offer a more targeted approach, providing assessments that delve deeper to discover root cause, specific design flaws and usability issues.

Consumers have little tolerance for multiple contacts, transfers, long hold times, slow responses and ineffective issue resolution. Customers want *easy.* They are quick to migrate from one channel to the next and a seamless transition makes the process feel less taxing. How hard customers have to work to do business with a company is measured by its Customer Effort Score (CES). CES is a metric based on a customer's response to a simple prompt—*The company made it easy for me to handle my issue.* Strong CES numbers are often great predictors for high levels of customer loyalty.

The data from this study reveals that as customers attempt to make contact with brands, their experiences are most often highly fragmented, inconsistent, cumbersome and lacking personalization. While we see great promise in leveraging an effective omni-channel (particularly digital) experience as a means of delighting customers and differentiating brands, we are perhaps most inspired by the level of interest among businesses in getting it right. We share the following data and insights in the spirit of improving end-to-end customer service experience and building the value of the brands that do it well.

Methodology

The Northridge Group's *State of Customer Service Experience 2016* study surveyed more than 1,000 United States consumers over the age of 18 on their expectations and experiences with omni-channel customer service issues, inquiries and responses over the past year.

The survey was conducted online between April 25 and May 1, 2016. The response rate was 45.6%.

In addition to the overall results, this report focuses on differences by generation, looking at contrasts among four generations as defined by The Pew Research Center [1]:

- Millennials (ages 18 through 34)
- Gen-Xers (ages 35 through 50)
- Baby Boomers (ages 51 through 69)
- Silent Generation (ages 70 and above)

[1] See http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/

Key Highlights

Getting the digital customer experience right has never been more critical. We see consumers who want ongoing and greater connectivity to brands and they're willing to navigate a broad spectrum of communication channels to get it — yet, companies are responding inconsistently, putting customer relationships and reputation at risk.

+ *Customer Effort – Less is More*
Less customer effort equates to more customer loyalty. Consumers are in a time crunch. They crave ease of use and efficiency and reward brands that give it to them. With 44% of consumers reporting that companies do not make it "easy" to contact them with a customer service issue or inquiry, companies have a big opportunity to do better.

+ *Not One and Done*
While first contact resolution is still the goal, more than half of consumers surveyed (55%) experience the need to use two or more communications channels before an issue is resolved. While they are asking brands to make it easier to connect, consumers are actually working harder to resolve their issues.

+ *Speed Wins*
Consumers are eager for prompt issue resolution and the younger they are, the faster they expect it. Four in ten Millennials (40%) will try another channel within an hour if their issue is not adequately addressed.

+ *Hold the Phone*
Almost nine in ten of consumers (89%) feel that telephone customer service either meets expectations (60%) or exceeds expectations (29%). Consumers report being most successful getting an issue resolved on first contact when using the telephone (60%).

+ *Shall We Chat?*
Online chat is gaining in popularity among consumers as a fast and efficient way of reaching brands. Almost one in five consumers (18%) turn to online chat as an alternative to telephone for fast resolution of customer service issues. Not surprisingly, Millennials are most likely to use this channel with 27% suggesting they get the fastest customer service via online chat.

+ *Socially Challenged*
Social media continues to grow as a communications channel with 77% of consumers saying they use these channels as much or more than they did one year ago. Yet brand responsiveness remains surprisingly low. About one in five consumers (21%) never receive a response when they contact a brand via social media or text.

+ *Consumers Want to Connect With Companies*
Consumers are eager to be heard. Eight in ten consumers (81%) report that they contacted customer service in the past year. This is an opportunity for companies to create relationships and build loyalty with their customers.

+ *Service Drives Preference and Purchases*
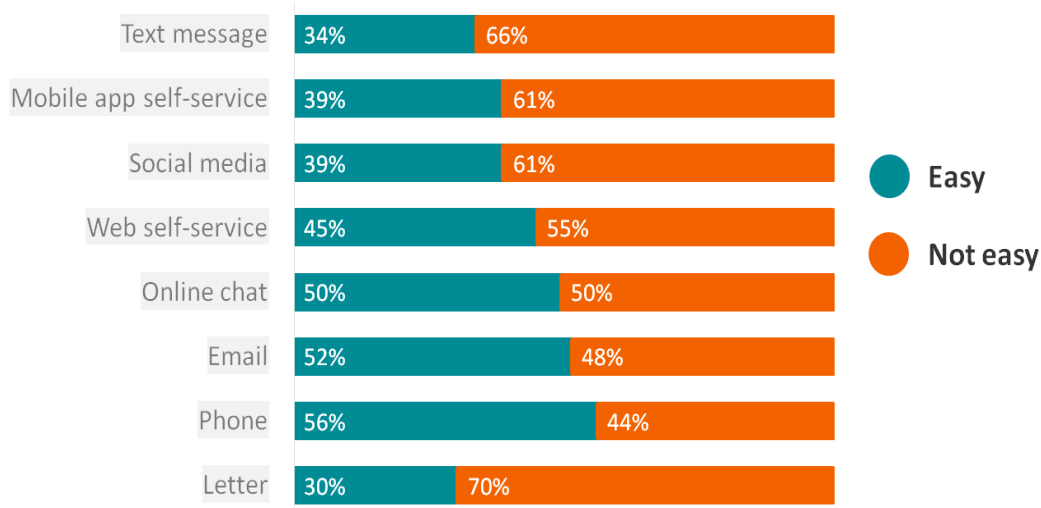Great customer experience is good for business. Six in ten consumers (58%) go out of their way to buy a product or service from a company if they know they will get excellent customer service.

+ *Word Travels*
The multiplier effect of a bad customer experience cannot be underestimated. Nearly 60% of consumers report that when they have a bad experience they usually tell someone about it.

Less Customer Effort Drives More Customer Loyalty

In general, how easy do companies usually make it for you to contact them about a customer service issue or inquiry through the following channels?

Channel	Easy	Not easy
Text message	34%	66%
Mobile app self-service	39%	61%
Social media	39%	61%
Web self-service	45%	55%
Online chat	50%	50%
Email	52%	48%
Phone	56%	44%
Letter	30%	70%

Source: The Northridge Group, State of Customer Service Experience 2016

With the continued growth and availability of technology-enabled alternatives for customer service, it would seem that the customer experience within and across channels should be improving. Yet in reality, many consumers say it is still not easy to contact companies and resolve issues.

Consumers want "easy." Brands have an opportunity to create goodwill and customer loyalty by making every service experience as easy as possible. Despite the ubiquity of digital and social channels, consumers say they are often harder to use. The numbers suggest a gap between customer expectations and experience.

What Drives Customer Effort?

Anything that extends the time between a customer's first contact with a company and the actual resolution of that customer's issue increases customer effort—things like long hold times, transfers, asking the customer to repeat themselves when moving to another channel, being asked by the company to reiterate information, essentially starting the process all over again. This fragmented service not only extends the resolution cycle time, but adds customer frustration and erodes loyalty.

Each customer interaction is an opportunity to demonstrate to the customer how much you care about them, their time and their business. The more times a consumer needs to contact a brand, the more painful it is for that consumer — and the more costly it is for the company in both operating expenses and brand loyalty. It only makes sense then that reducing customer effort is a win for the customer, the business and the brand.

Yet, many consumers say it's just too difficult. In fact, 44% or more of consumers across all channels do not feel companies make it "easy" to contact them about a customer service issue or inquiry.

![nrg logo] Operations made+Better

Phone Still Leads as "Easiest"

Phone ranks first for its ease of use with 56% of consumers saying companies make it "very easy" or "easy" for them to call about a customer service issue or inquiry. However, most customers actually prefer to use the *digital* channels as the most convenient and efficient solutions.
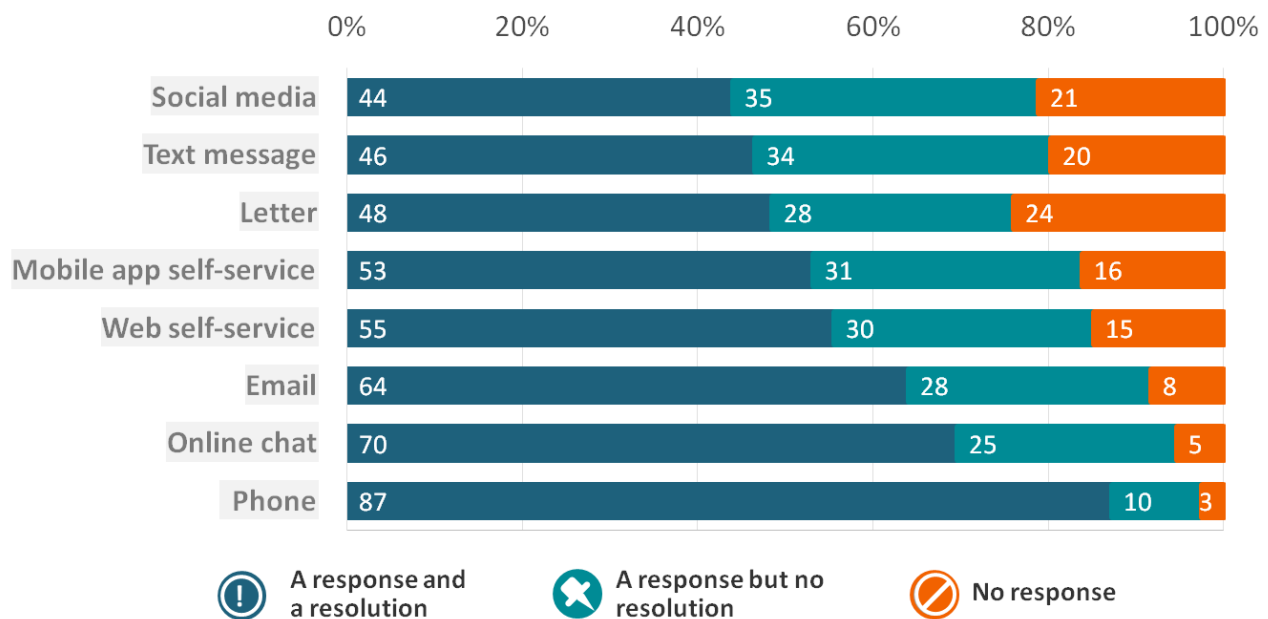
Is Digital Helping?

Those surveyed say access to customer service through digital is still often difficult. Nearly half of consumers do not feel that companies make it "easy" or "very easy" to contact customer service using

online chat (50%). Over half of those (55%) using web self-service and over 60% of those using mobile app self-service, social media and text message all report that companies do not make it easy to connect with them about a service issue or inquiry.

Why the Lack of Satisfaction with Digital?

Despite attempts to leverage digital channels to contact brands about a customer service issue or inquiry, many consumers report never even receiving a response — let alone a resolution. This clearly suggests that companies do not have the level of focus or visibility into their customers' digital experiences.

What kind of response do you usually get when you contact a company about a customer service issue or inquiry on the following channels?

Channel	A response and a resolution	A response but no resolution	No response
Social media	44	35	21
Text message	46	34	20
Letter	48	28	24
Mobile app self-service	53	31	16
Web self-service	55	30	15
Email	64	28	8
Online chat	70	25	5
Phone	87	10	3

Source: The Northridge Group, State of Customer Service Experience 2016

About 30% of consumers who use online chat and 36% of consumers who use email to reach a company say they usually do not receive a response or resolution to their service issue or inquiry.
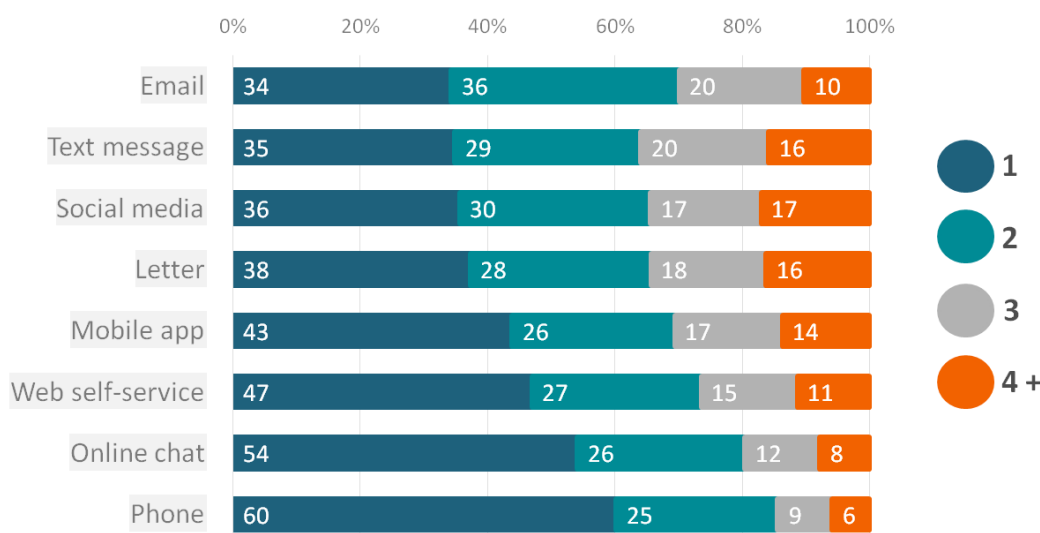
The number increases upwards of 40% across other digital channels like web self-service, mobile app self-service and text message.

Social media is the channel with the lowest response rate with 56% of consumers reporting they do not usually receive a response or resolution when they contact a brand about a customer service issue or inquiry.

First Contact Resolution Remains Job One

How many times do you typically need to engage with a company on the following channels before a customer service issue or inquiry is resolved?

Channel	0% — 100%
Email	34 / 36 / 20 / 10
Text message	35 / 29 / 20 / 16
Social media	36 / 30 / 17 / 17
Letter	38 / 28 / 18 / 16
Mobile app	43 / 26 / 17 / 14
Web self-service	47 / 27 / 15 / 11
Online chat	54 / 26 / 12 / 8
Phone	60 / 25 / 9 / 6

Legend: 1, 2, 3, 4 +

Source: The Northridge Group, State of Customer Service Experience 2016

Not Always One and Done

Not long ago, outstanding customer care was defined almost exclusively as first contact resolution within a single channel. These results clearly identify that companies are still not doing a great job of resolving an issue within an individual channel let alone across channels. There is a significant opportunity for brands to better guide the end-to-end customer experience, helping consumers move seamlessly toward resolution as they navigate from channel to channel.

Over half of consumers (55%) need to use two or more communication channels before an issue is resolved.

In business, we think about *channels* but customers just want to fix the problem they are trying to address. They begin a conversation with a brand in one channel and may attempt to continue it in another. Making that transition as seamless as possible through easy navigation, timely response and a consistent brand voice drives the most satisfying customer service experiences.

As more customers migrate towards self-service and social applications, companies should make repairing their digital channels a priority.
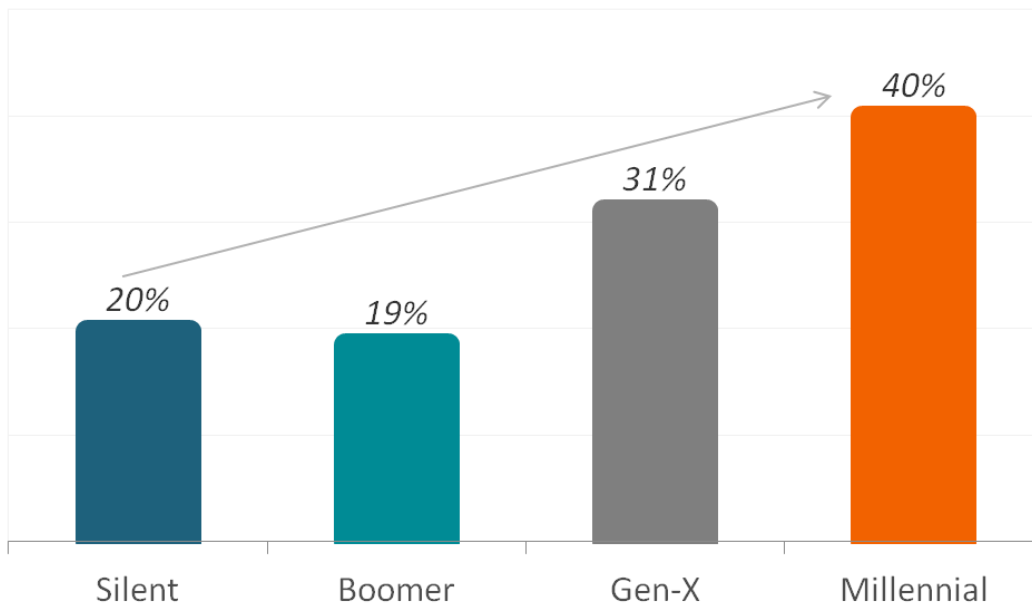
Despite a low first contact resolution rate of 34%, we are seeing growth in the use of text messaging. Beyond its commonly accepted uses for appointment reminders, calendar updates and banking security alerts, consumers are using text messaging for its e-commerce functionality, as well.

Email comes in last for first contact resolution with 66% of customers contacting a brand two or more times before a customer service issue is resolved.

With Access to More Channels, Consumers Don't Like to Linger

If your customer service issue or inquiry isn't adequately addressed, how long do you wait before you contact the same company using another channel or method of contact?

Below is the percentage of consumers who will switch channels within <u>60 minutes.</u>
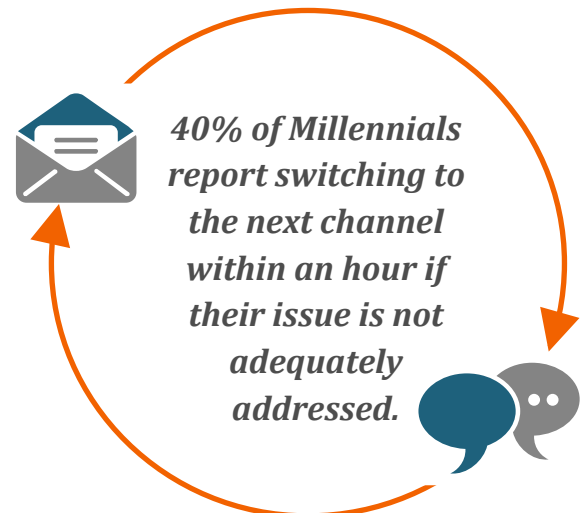

Source: The Northridge Group, State of Customer Service Experience 2016

When it comes to customer service, speed still wins. For time-starved consumers who have more ways than ever to contact brands, single-channel loyalty—and patience—are waning. Consumers are eager for prompt issue resolution and migrate quickly across channels to get the support they need.

Nearly one-third of consumers (31%) will try another communications channel if their issue is not addressed within one hour.
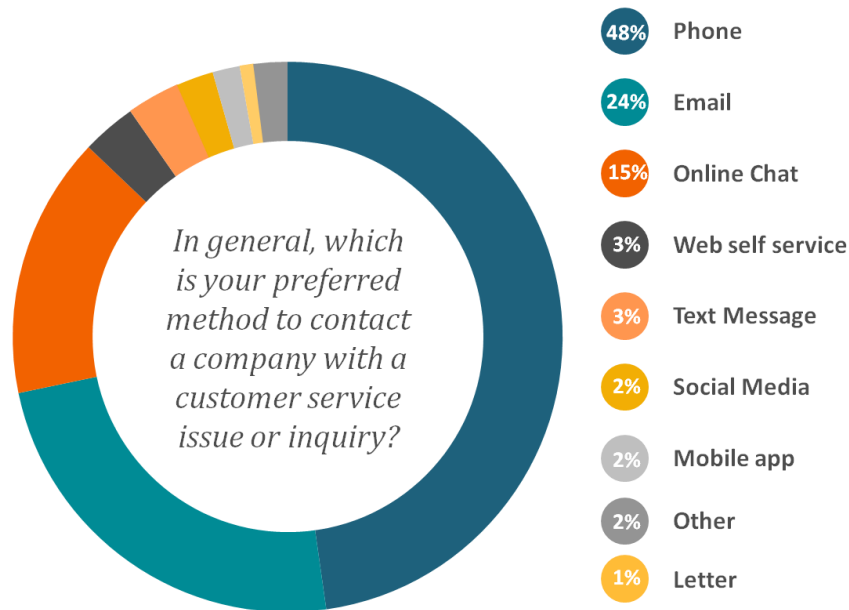
We expect this trend to continue. Companies will need to anticipate staffing and cost implications as more channels receive more traffic than ever before. To illustrate the generational dichotomy currently in play, Boomers are more likely to wait as long as a day before trying another channel.

40% of Millennials report switching to the next channel within an hour if their issue is not adequately addressed.

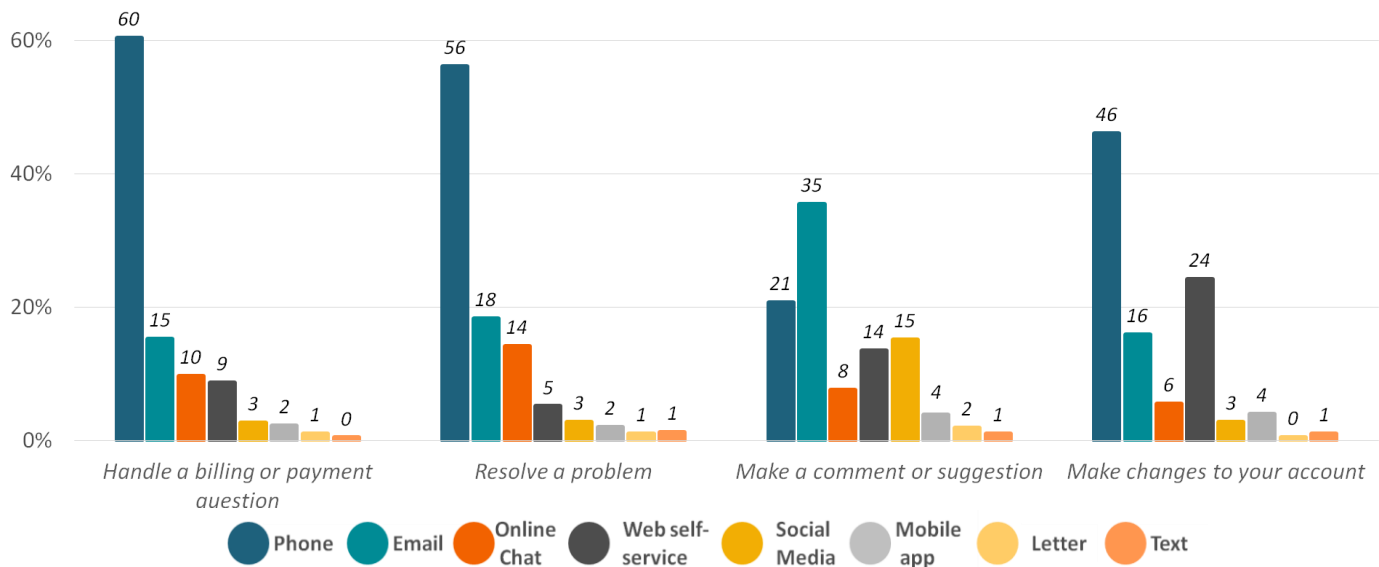*Source: The Northridge Group, State of Customer Service Experience 2016*

From Phone to Self-Service, Brands Need to Meet Customers Where They Are

Which is your preferred channel or method to contact a company for each of the following customer service issues or inquiries?

In general, which is your preferred method to contact a company with a customer service issue or inquiry?

- 48% Phone
- 24% Email
- 15% Online Chat
- 3% Web self service
- 3% Text Message
- 2% Social Media
- 2% Mobile app
- 2% Other
- 1% Letter

Source: The Northridge Group, State of Customer Service Experience 2016

Which is your preferred channel or method to contact a company for each of the following customer service issues or inquiries?

Handle a billing or payment question: Phone 60, Email 15, Online Chat 10, Web self-service 9, Social Media 3, Mobile app 2, Letter 1, Text 0

Resolve a problem: Phone 56, Email 18, Online Chat 14, Web self-service 5, Social Media 3, Mobile app 2, Letter 1, Text 1

Make a comment or suggestion: Phone 21, Email 35, Online Chat 8, Web self-service 14, Social Media 15, Mobile app 4, Letter 2, Text 1

Make changes to your account: Phone 46, Email 16, Online Chat 6, Web self-service 24, Social Media 3, Mobile app 4, Letter 0, Text 1

Legend: Phone, Email, Online Chat, Web self-service, Social Media, Mobile app, Letter, Text
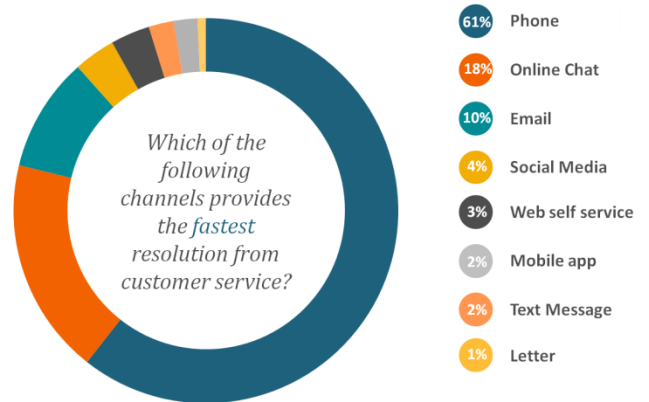
Source: The Northridge Group, State of Customer Service Experience 2016

Consumers are mapping their service needs to their channel. When it comes to critical issues for contacting customer service, most consumers still pick up the phone. But for everything else, we see a continued preference for digital solutions.

More than half (52%) prefer to use a channel other than the phone when contacting a company with a customer service issue or inquiry.
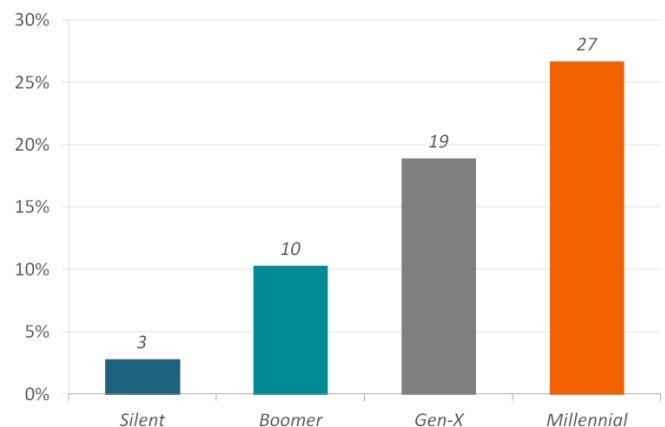
Consumers report being most successful getting an issue resolved on first contact when using the telephone. Not surprisingly, consumers prefer the phone for complex problems or time-sensitive matters such as bill payment. When an immediate response is not essential, digital channels are a preferred option for many consumers with over one in three using email to make a comment or suggestion and more than one in four using a mobile app or web self-service tool to make changes to their account.

In addition to being the preferred channel for consumers, the phone continues to be the fastest channel for resolution. While digital channels like online chat continue to grow in popularity, the call center remains a critical lifeline for consumers to reach a company. The companies that identify ways to deliver the robust, personalized and proactive service associated with telephone via *digital* channels will set the bar for all others.

Which of the following channels provides the fastest resolution from customer service?

- 61% Phone
- 18% Online Chat
- 10% Email
- 4% Social Media
- 3% Web self service
- 2% Mobile app
- 2% Text Message
- 1% Letter

Source: The Northridge Group, State of Customer Service Experience 2016

Online chat is growing among consumers as a fast and efficient way of reaching brands. Almost one in five consumers (18%) turn to online chat as an alternative to telephone for fast resolution of customer service issues.
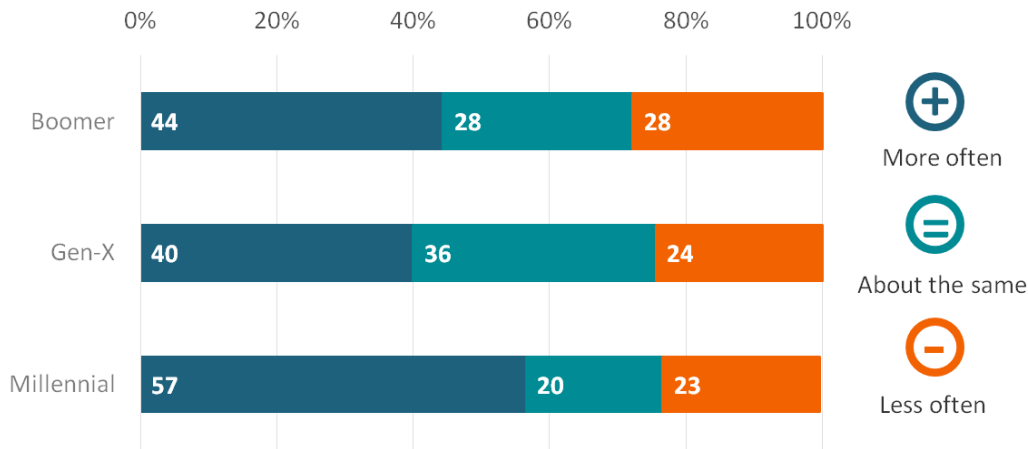

Silent	Boomer	Gen-X	Millennial
3	10	19	27

Source: The Northridge Group, State of Customer Service Experience 2016

Millennials are more likely to use online chat with 27% saying they receive the fastest customer service using this channel.

Social Media Use for Customer Service Grows but Companies Fail to Respond

How often do you contact companies for customer service issues or inquiries on social media channels now compared to a year ago?

Source: The Northridge Group, State of Customer Service Experience 2016

For all of the buzz about social media as "the" channel for real-time response, consumers report disappointing results. This year, our survey data reveals increased consumer use of social media to reach out to companies, but a surprisingly low response rate from those brands.
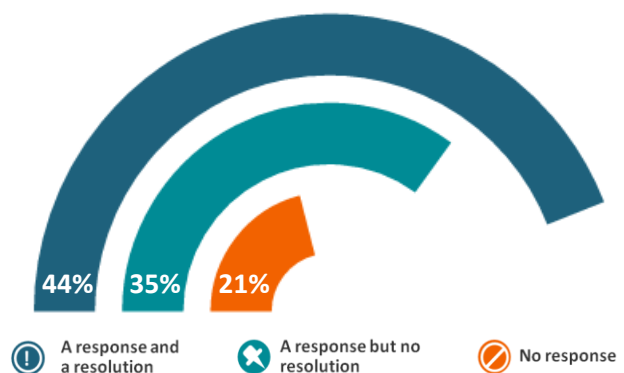
Among respondents who report they use social media, 77% say they use social media channels as much or more often to contact companies for customer service issues compared to a year ago.

Consumers Knock, But No One's Home

Our study suggests that companies are not keeping pace with their customers' growing ability to connect through social media. One way we measure this is by the number of contacts required by a consumer before an issue is resolved. Overall, 40% of consumers report needing to contact customer service two or more times before an issue is resolved.

That number jumps to 64% for customers trying to reach companies through social media.

Despite the increased use of social media as a customer service channel, 21% of consumers never receive a response when they contact a brand via social media.

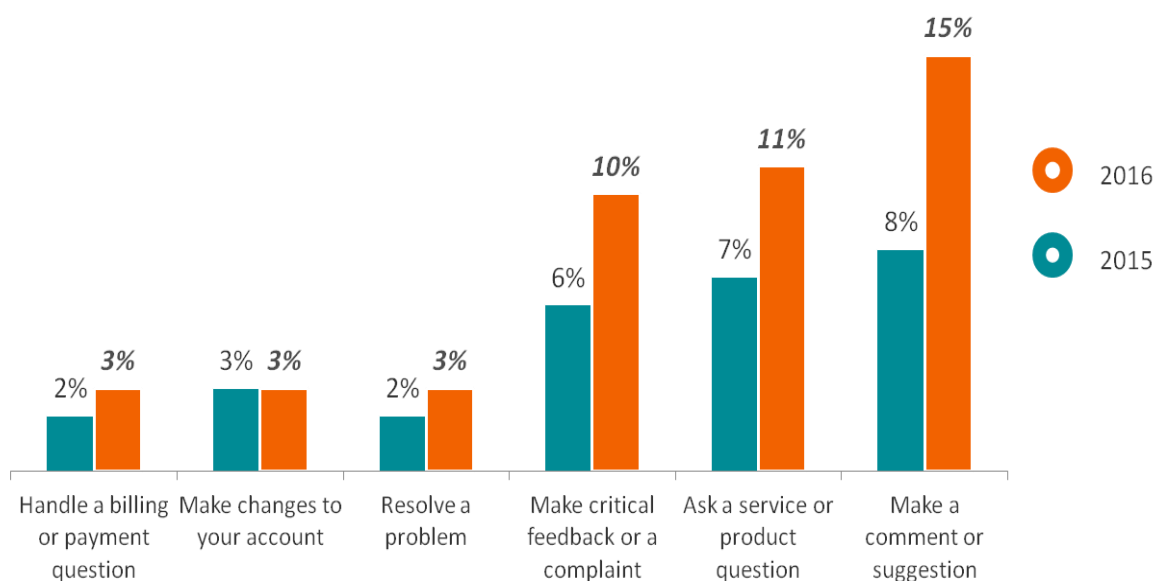Source: The Northridge Group, State of Customer Service Experience 2016

In fact, social media and text message are among the highest "no response" and the lowest in "issue resolution."

As consumers use social media with greater frequency in other parts of their lives, they are turning to social media channels more often to manage specific kinds of customer service issues.

Companies that respond in a timely manner to individual customers on social media are not only demonstrating a high level of service to that person, but to the broader social media community. Conversely, companies that ignore consumers on social media are signaling to them—and their entire social network—that they simply do not care.

Social Media Use Increases for Targeted Needs

Below is a year-over-year comparison for consumers who chose social media as their preferred channel or method to contact a company for each of the following customer service issues or inquiries.
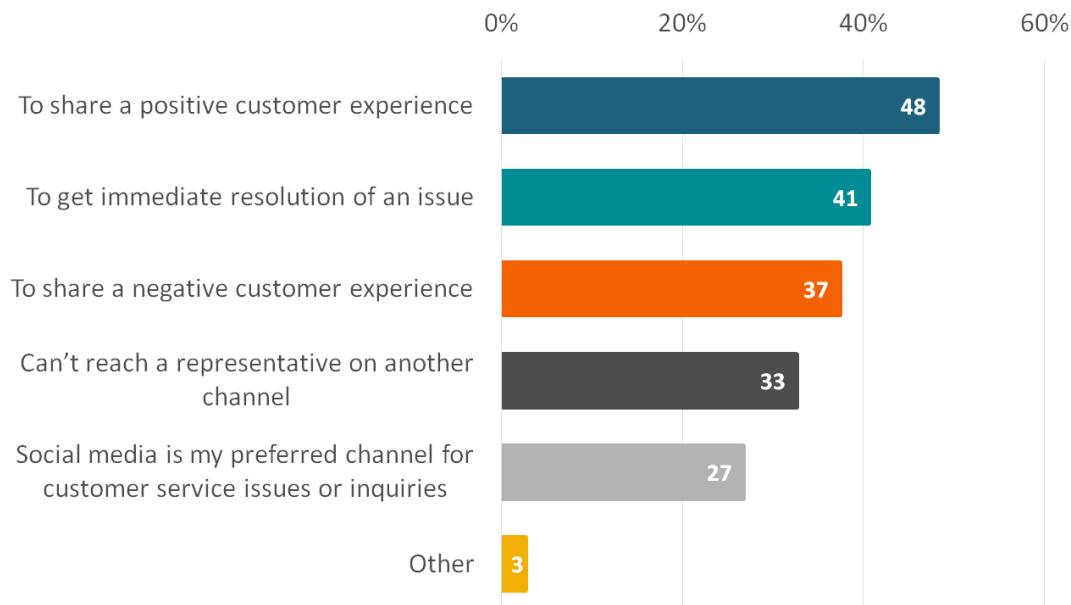

Source: The Northridge Group, State of Customer Service Experience 2016

In 2016, we see an increase in social media use as a channel for making a comment or suggestion (15%), asking a product or service question (11%) and

sharing critical feedback or a complaint (10%) compared to 2015.

Social Media as a Channel for Sharing Feedback

Why do you choose to use social media as a point of contact?

Reason	Percentage
To share a positive customer experience	48
To get immediate resolution of an issue	41
To share a negative customer experience	37
Can't reach a representative on another channel	33
Social media is my preferred channel for customer service issues or inquiries	27
Other	3

Source: The Northridge Group, State of Customer Service Experience 2016

While some consumers look to social media as a channel for immediate resolution of an issue, as many as 85% choose social media to share a positive or a negative comment. Customers are opting to use social media not only for issue escalation and resolution but for sharing ideas and feedback.

Consumers are trying to engage with brands on this channel. They want real-time connectedness to the brands they support and companies will benefit by responding with gratitude for the feedback and leveraging the insights they receive to make their businesses better.

In essence, what once required formal consumer research is now available 24/7 in the global focus groups called Facebook and Twitter. Many companies are now taking advantage of this opportunity for authentic engagement with their customers. Social media monitoring tools allow companies to listen, analyze and respond to what's being shared.

Customers Reward Service—Consistently Delivered—with Their Loyalty

Nearly all companies know that customer service is a requirement in today's marketplace. But delivering it effectively and consistently within and across all channels—from face-to-face interactions to phone to digital—is what differentiates brands. These are the brands consumers reward with their business because they know what they will get each and every time. Consistent delivery of service and experience delights existing customers and attracts new ones, building trust, driving sales, improving reputation and increasing brand loyalty.

Three in four consumers (77%) expect quality customer service and responsiveness as part of the products or services they buy.

And quality customer service sells, directly influencing purchasing decisions. When a customer knows that a brand offers great customer service, the majority of consumers are more likely to purchase from that brand.

Six in ten consumers (58%) go out of their way to buy a product or service from a company if they know they will receive excellent customer service.

Thanks to technology, consumers have more ways of sharing feedback than ever before. But perhaps the most powerful is word-of-mouth. Word of mouth has a multiplier effect and should not be underestimated for its reach and ability to influence brand perceptions.

Almost six in ten consumers (57%) will tell someone they know if they have a bad customer service experience.

This is perhaps the most compelling reason for developing an omni-channel communications strategy. Brands have the opportunity to join the conversation, engage and influence its direction. By sitting out, companies lose their voice and their customer following.

Best Practices for Creating a Differentiated Omni-channel Customer Service Experience

+ **Every company needs a plan.**
With more communication channels than ever available for companies and customers alike, it has never been more important to put a strategic omni-channel communications approach in place. To understand the customer, brands need to understand the many channels they are using. As brands develop deeper understanding of customer communication channels, when and how they are used, they can proactively guide customers to seamless solutions.

+ **The companies that get digital right will win.** Digital is growing exponentially and brands need to consider carefully the implications for customer experience and reputation. Today, digital channels are among the lowest for first contact resolution. As customers become more comfortable with technology and less patient with wait times and delays in resolution, they move from channel to channel more swiftly. Brands that focus on usability and effective issue resolution across digital channels will deliver a more effortless customer experience while reducing costs. Customers will continue to migrate to lower-cost channels when ease of use and resolution are addressed effectively.

+ **Customer effort matters. Make it easy.**
Consumers want companies that simplify their lives. With the majority of consumers (55%) currently using two or more channels to attain issue resolution, customers are working harder to get resolution. When companies address a customer's needs on that customer's channel of choice, they don't just earn sales, they earn referrals and loyalty.

+ **Investment in timely issue resolution always pays off.** Time is a customer's most precious commodity. Longer wait times force them to toggle between channels more quickly than ever before, increasing the number of contacts, adding to the customer's effort and driving business expense.

+ **Social media and texting are growing channels for customer service. Engage with your customers!** Companies have an opportunity to establish a brand voice, provide timely response and hear the concerns and perspectives of their customers in real time. Companies are missing this opportunity with minimal monitoring and low response rates. About 20% of consumers never even receive a response when they contact a company by social media or text message. If you are not engaging on all of these critical channels, you are likely losing business or increasing your costs as customers navigate to your other channels.

+ **The phone is not going away.** Aside from face-to-face and letter writing, the phone may be the channel with the longest tenure but it remains the go-to, modern-day solution for complex, time-sensitive customer service issues. Current technologies like speech analytics and solutions like quality monitoring allow companies to create a much more effective and engaging experience within this tried and true channel. These are moments of truth when brands can 'wow' the customer with service. This can be done through customer journey mapping. There are many forms of journey mapping that span various levels of detail, but they all have

common components that drive customer experience insights and focus.

+ **Understanding the customer experience journey is essential.** It is the organization's job to understand the stated and unstated needs of the customer. Tracking each phase of the customer's omni-channel journey provides an opportunity to identify and resolve current consumer pain points and focus.

+ **There is no downside.** With over 80% of consumers saying they contact customer service every year, the door is wide open for companies to get better acquainted with their customers, build connections, relationships, trust and longevity. More than three-quarters (77%) of consumers expect great customer service as part of their purchase and reward those who provide it with sales, referrals and brand loyalty.

*We invite you to talk with **The Northridge Group** about how we can help you optimize your omni-channel customer service experience.*

Contact Us

Inquiries: 847-692-6760
www.northridgegroup.com

Pam Plyler
Executive Practice Lead,
Customer Experience

Pam has over 20 years of experience in the development and implementation of strategies to improve customer experience, specifically focused on the effectiveness and efficiency of contact center operations. Pam has successfully executed high-impact, strategic initiatives in all major business verticals including healthcare, retail, financial services, wholesale and government. As Customer Experience Practice Lead, Pam provides leadership, expertise and insights to clients looking to transform their contact centers and drive towards best-in-class performance in quality, operational effectiveness and efficiency. Pam drives results through her passionate leadership, process re-engineering, technology solutions and organizational design. Pam holds a B.S. in Mathematics and a Masters in Statistics, both from the University of Akron.

Daren Moore
President

As a member of the Northridge executive team, Daren brings 25 years of experience in telecom and financial management, both within large global enterprises and entrepreneurial ventures. He has successfully built businesses from the ground up, including the organizations, processes and applications required to provide complex professional and managed service offerings. The consulting and managed services teams he has built have become leaders in their respective spaces. At Northridge, Daren leads with the operational depth required to identify and realize dramatic improvements for our clients in the areas of strategy development, cost and quality improvements, technology assessments and process redesign. Daren has a sharp focus on ensuring we continue to over deliver and delight customers with our commitment to their success. Daren holds a B.S. in Accountancy from Southern Illinois University.

ABOUT THE NORTHRIDGE GROUP

The Northridge Group is a leading management consulting firm specializing in **customer experience solutions**, **quality monitoring services** and **business transformation initiatives**, utilizing data analytics and business process redesign to deliver results. Founded in 1999, the firm serves clients in the healthcare, telecom, financial services, travel and transportation industries. Using a holistic approach to problem-solving, Northridge provides services for the Fortune 200 and key government agencies at the federal, state and local level.