



From the CIO Perspective: What's Your Customer Service Agenda?





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Introduction

The business-customer relationship is changing and these days, it's customers who are calling the shots. No longer is the relationship a simple transactional one in which the business offers its goods and hopes the customer decides whether to buy or not. Thanks to the Web, customers are able to compare prices, switch providers or negotiate better deals with a couple clicks of a button.

Customers can research the products they like in store and buy online, or order online and collect in store. They may want to make a comment about an organization and its customer service through Twitter, find out about new products through its Facebook page or get updates about discounts via text messages.



But the IT revolution that has given more power to the customer has also provided organizations with new opportunities to engage customers, research their requirements, tailor products and services accordingly, and even include customers in the design of those products and services. In the words of Paul Greenberg, president of management specialists the 56 Group, "Customer engagement means that customers are part of the company's collaborative value chain."

To take advantage of this shifting landscape, businesses need IT systems that are flexible enough to cope with customer demands. These systems must enable customers to communicate and to buy goods and services, via the channels of their choice, and enable the business to collect and analyze valuable customer data from those different channels.

A 2012 Aberdeen Group report, entitled *Customer Analytics, Leveraging Big Data to Achieve Big Results*, found that companies that built a centralized customer intelligence database and used those insights to support their interactions with customers achieved more than three times the rate of customer retention, and 90 percent greater year-on-year annual company revenue. As Omer Minkara, a research analyst and the report's author, wrote: "Businesses can no longer use a one-size-fits-all approach within their customer interactions. They need to be laser-focused on utilizing customer data as the key ingredient of each customer-facing activity."

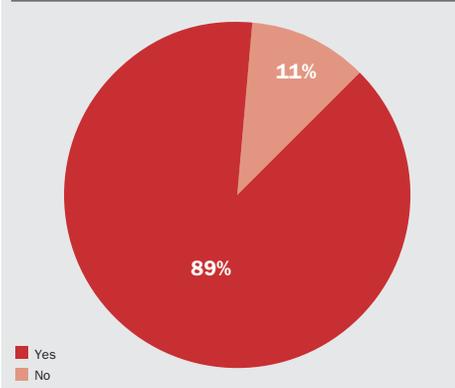
The retailer John Lewis, which has bucked the recessionary trend and seen a healthy rise in profits during the past couple of years, is a good example of how to carry out a multichannel approach successfully.

Multichannel
Today's potential customers can research your wares and your reputation via Twitter, Facebook and online forums.

Customers can interact with the retailer via integrated Web and mobile channels, and its stores now have Wi-Fi so that customers can research products and compare prices from their mobile phones as they browse.

A survey by IDC found that the majority of John Lewis customers researched online before going into a store, and that 40 percent of its customers used their phones to interact with the brand while they are in store. The multichannel customers were more loyal, shopped more frequently, and were younger and more affluent than other shoppers.

Chart 1: Is customer engagement through multiple communication channels an important part of your business and CIO strategy?

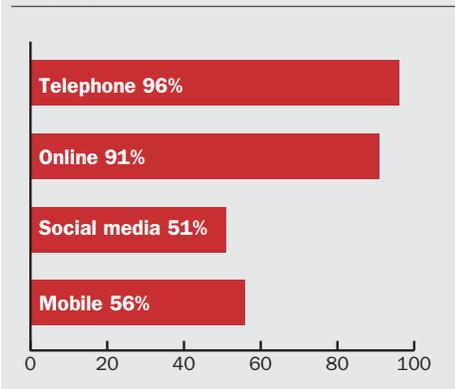


For many businesses, creating a centralized view of the customer poses a major challenge. Although businesses now hold a mass of information about their customers (according to IBM, consumers and enterprises create 2.5 quintillion bytes of data every day), they still tend to hold customer information in silos, with the help desk, the call center, the marketing department and so on all holding their own independent data on the same customer. Integrating this data into a single view available to all who need it can provide a huge benefit. Imagine how helpful it would be for a salesperson, for example, to know that a customer has commented positively about a company's product on Twitter, or made a complaint to the help desk about a bad experience. Creating an integrated view, however, requires a cultural shift (adapting the needs of the organization to those of the customer) and a technical one. From an IT point of view, a lot of groundwork may be needed to make systems customer-centric.

“Businesses can no longer use a one-size-fits-all approach within their customer interactions.” Omer Minkara, Aberden Group

So how far have businesses succeeded in putting those systems in place? CIO surveyed 104 C-level executives and senior IT decision makers in March this year, looking at the extent to which businesses understand the importance of customer engagement and how far they had progressed in implementing the technology needed to make that engagement possible.

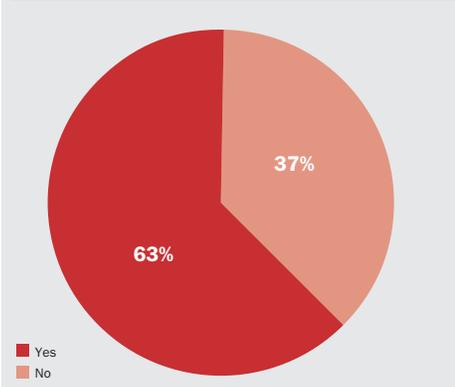
Chart 2: Is your customer base already expecting to engage with you via telephone, online, social media or mobile?



Multichannel Strategy

The survey showed that C-level executives clearly understood the importance of multichannel engagement, as the overwhelming majority (89 percent) replied 'Yes' to the statement 'Customer engagement through multiple communication channels is an important part of your business and CIO strategy'. A smaller number (72 percent), however, responded 'Yes' to the statement that customer engagement through multiple communication channels was a core part of the CIO strategy. The larger businesses were more likely to see engagement as core: all but one of the firms with 10,000 or more employees answered 'Yes' to this question. These findings are encouraging, and concur with IBM's Institute for Business Value's 2010 study of CEOs, which found that 88 percent identify the need to be closer to their customers as their biggest imperative during the next five years.

Chart 3: Has your marketplace seen the entrance of new rivals that are using emerging technology to create new ways of engaging with customers?

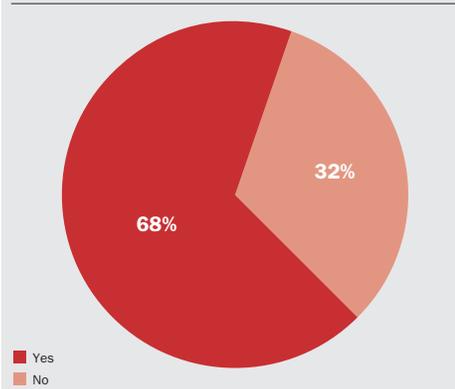


"Most mobile apps have no underlying integration with existing care infrastructure." Daniel Hong, OVUM

When it came to what businesses are doing in terms of multichannel engagement, however, our survey showed that there was a clear gap between intention and practice. Slightly more than half (52 percent) said that their organization was already seeing self-service Internet and mobile as revenue sources. Again, it was the larger organizations that were most likely to respond 'Yes' – 72 percent said they were already generating revenue in this way.

Respondents were asked how their customer base expected to be able to engage with them. Not surprisingly, phone communications topped the list, with 96 percent of respondents saying that customers expected to be able to use this method to engage with them. Almost as many (91 percent) said that customers expected to be able to engage with them online. The numbers who said that customers expected to use social media or mobile were much smaller, but at 51 percent and 56 percent, respectively, there is still enough demand from customers for using newer methods of engagement to provide an incentive for organizations to be working on offering these channels.

Chart 4: Are you actively engaged with the work of your CMO/Customer Service Director to solve business problems?



And this demand will almost certainly rise, as the smartphone grows in popularity. According to a 2012 report by the analysts at Ovum entitled *The Future of Customer Service in a Mobile World: Smart, Connected Interactions*, customers will increasingly expect to interact with the enterprise using their smartphone.

“An important determinant of quality in customer experience will be whether smart, connected interaction capabilities are embedded within an enterprise’s mobile apps and contact center infrastructure,” writes Ovum analyst Daniel Hong. The Ovum research found that, while enterprises were beginning to assess the impact that mobility will have on customer care, few had begun designing strategies for mobility.

“Many organizations have already rolled out rudimentary mobile apps to their customer bases, but most of these apps have no underlying integration with existing care infrastructure or data,” Hong writes. If businesses want to get ahead of competitors, they need to be starting to offer mobile channels to customers now.

The *CIO* questionnaire asked whether the board understood the importance of a seamless and excellent customer experience across multiple channels. Nearly four out of five (79 percent) of all respondents replied ‘Yes’, suggesting there is a clear understanding of the benefits of engaging with customers this way. That leaves one in five, however, who may be finding it difficult to persuade the business of the benefits of multichannel engagement.

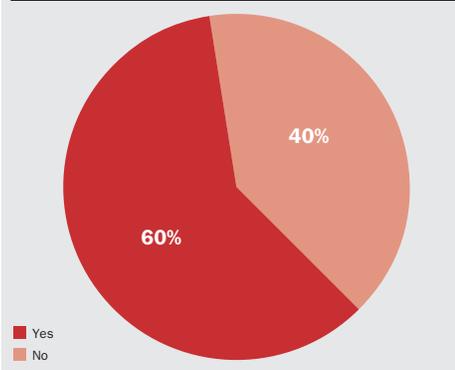
If organizations are to put in place a strategy for multichannel engagement, then IT needs to work closely with marketing. Asked whether they were ‘actively engaged with the work of your CMO/Customer Service Director to solve business problems’, slightly more than two-thirds (68 percent) responded ‘Yes’. Smaller firms, with fewer than 5,000 employees, were slightly more likely to answer positively (79 percent).

Social Innovation

When respondents were asked whether their marketplace had seen the entrance of new rivals using emerging technology to create new ways of engaging with customers, nearly two-thirds (63 percent) said ‘Yes’. The emergence of competitors using technology in innovative ways to foster customer relationships should act as a spur to existing businesses to up their game.

Asked whether existing market rivals were innovating their customer service and experience with emerging technologies, the results showed a slightly different pattern, as 28 percent replied that they didn’t know. Nonetheless, 54 percent replied ‘Yes’, again demonstrating that enough businesses are forging ahead in this area to create an impetus for others to follow suit.

Chart 5: Looking at your current multichannel strategy, can your organization engage with customers as they move from channel to channel in their interactions or relationship with you?



So organizations see the benefits of a multichannel strategy and they see rivals adopting such a strategy. But how many are offering multiple channels to their own customers? Respondents were asked 'Looking at your current multichannel strategy, can your organization engage with customers as they move from channel to channel in their interactions or relationship with you?' Although a majority (60 percent) said 'Yes', that leaves a substantial minority who cannot engage with their customers through different channels.

The *CIO* questionnaire asked whether the strategy of the respondents' organization enabled them to capture, retain and interpret information across multiple channels. A similar number (63 percent) responded 'Yes', but it suggests that more than one-third are floundering, unable to exploit the information provided by customers who are choosing to engage in multiple ways. If a customer leaves a message on Twitter, for example, and follows it up with a phone call, the organization may not be able to refer to the original communication or identify it as having come from the same customer.

Asked whether the costs for customer service were going up or down, 62 percent replied that their costs were going up, possibly because keeping track of customers is becoming more complicated as customers seek to engage with the organization in different ways. Although an Internet-based self-service model ought to save money for an organization, the increased opportunities the Internet brings for engagement can, if not properly managed, drive up costs.

Respondents were asked whether their existing technology suppliers, legacy applications and partners enabled them to create and deliver a cohesive and consistent multichannel strategy. This time, 56 percent said 'Yes', leaving 44 percent of firms without the right technology partner or the right software to help them deliver a strategy that almost all agree is 'important' to their business.

Good Knowledge Management is an essential part of successful customer engagement. Asked whether knowledge management played a role in their company's customer service, either through customer service agents or direct to customers over the Internet, a clear majority (72 percent) replied 'Yes', suggesting that most do have some tools in place to analyze interactions with customers when they take place.

Chart 6: Does your strategy enable you to capture, retain and interpret information across multiple channels?

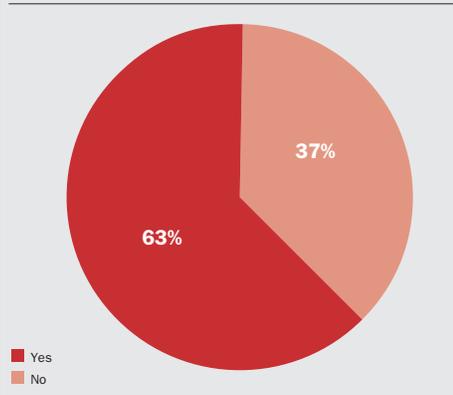
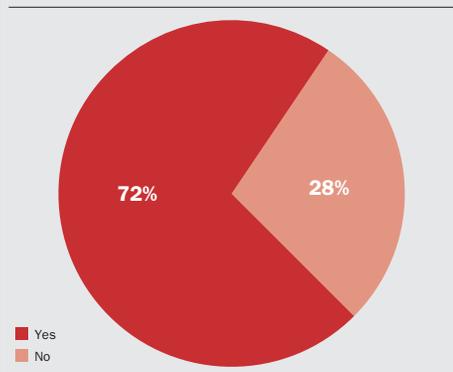


Chart 7: Does Knowledge Management play a role in your company's customer service, either through customer service agents or direct to customers over the Internet?



Conclusion

The picture, according to the *CIO* survey results, is a mixed one: businesses are becoming aware of the importance of multichannel engagement, but many currently lack the ability to implement a multichannel strategy.

They understand that customers increasingly expect to engage with them via a number of different channels, and that some of their competitors are innovating to make this possible. Their own customer service costs are going up, and they believe that the costs of their own legacy systems and existing technology partners are hindering them from fully adopting a multichannel strategy.

The shift from a traditional approach to customers, in which each transaction is recorded in a different database, to a customer-centric one, which entails collaboration across the organization to understand and meet the needs of customers, will require a deep cultural shift and an investment in new systems of technology. As our survey shows, most organizations are only at the beginning stages of making this happen. Nonetheless, this shift is inevitable, and the businesses that thrive in the next 10 years will be those that can manage the transition quickly and skilfully.

Our Survey

- 104 people responded
- 86 percent had the job title of IT Director, 10 percent CIO, CEO or CFO, and 4 percent held the title of Director
- More than two-thirds (69 percent) were in organizations of between 1,000 and 4,999 employees, 9 percent between 5,000 and 9,999 employees, and 22 percent were in organizations of more than 10,000 employees

About KANA Software, Inc.

KANA makes every customer experience a good experience. A global leader in customer service solutions delivered on-premises or in the cloud, KANA lets organizations take complete control over customer service interactions, so they can take care of customers, while managing costs and reinforcing brand. By unifying and maintaining context for customer journeys across agent, Web, social and mobile experiences, KANA solutions have reduced handling time, increased resolution rates and improved net promoter score (NPS) at more than 900 enterprises, including half of the Global 100 and more than 250 government agencies. KANA is based in Silicon Valley, California and has offices worldwide. Contact us at info@kana.com and visit us at www.kana.com.

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