FUTURE-READY SELF-SERVICE

10 essential best practices for organizations seeking to retain more customers, foster innovation and spur growth

ALVAREZ & MARSAL

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EXECUTIVE SUMMARY

Look closely at Google's purchase of Frommer's and Zagat: It is a window into how customer expectations will continue to evolve over the next eight years.

How? Daisy chain Google's services together, feed them decades of additional insights enabled by acquisitions like Frommer's and Zagat, and something exponentially more powerful emerges: a completely integrated, "end-to-end-and-back" experience.

A snapshot of future-state customer service

Picture this: A traveler arrives in Rome, hungry for an authentic Italian meal. A quick search on her smartphone automatically presents restaurant choices in order of their distance from her hotel. Restaurant reviews are also displayed, with those of a few friends and even a fellow traveler she met the day before listed at the top. She taps her choice and discovers the film she saw last week was shot nearby. She finds the eatery with a map app and scopes out the inside and surrounding area using street view. Google Offers notifies her that her favorite Italian dish is the daily special. After her meal, she pays the check using a banking app and is automatically offered the chance to recommend the restaurant to others through various social media apps.

True, much of this picture is familiar today. But in this scenario, *every step to her objective—an authentic and memorable experience—is completely contained in the smartphone universe.*

Moreover, she is empowered to make free and relevant choices with ease in a foreign country. And she is completely self-sufficient, able to accomplish each of the outcomes most important to her in the exact moment and place she values them most.

Enabling it all? A self-service architecture that understands and serves her well.

The service-agile organization

Welcome to the future of service, where leading companies will be differentiated by the level of immediacy, empowerment, personalization and customization their self-service capabilities offer customers. These "service-agile" companies will also:

- Anticipate and change around customers' needs with unprecedented speed;
- Know which customer interactions are the most valuable and which are most expensive;
- Have a structure and culture promoting the reduction or elimination of manually intensive processes; and
- Provide their customer service agents or customers with easy access to all the information they need to complete a task.

Summary

Here, we explore the impact of self-service on customer experience, operational effectiveness, innovation and agility.

We also examine the fundamental principles of architecting customer-centric services—the scaffolding that impacts customer experience and operational efficiency today, and enables the customer intimacy of the future.

An outline of 10 steps essential to making self-service ready for the near future of customer service follows, along with a brief case study of Amazon.com's creation of a successful self-service architecture for third-party sellers.

> Leading companies will differentiate themselves by the level of immediacy, control, personalization and customization their self-service capabilities offer customers.

WHY SELF-SERVICE MATTERS MORE THAN WE THOUGHT

Effective self-service does not suffer from a lack of benefits. Lower operating costs alone can be enough to lure any company into developing a self-service architecture. And, as capabilities have evolved, self-service has also improved quality, reduced cycle times and improved customer satisfaction.

> Instead of deeming self-service cold and impersonal, customers have embraced it.

Customers prefer to serve themselves

Perhaps most counter-intuitive is the level of customer satisfaction self-service has wrought. Instead of deeming unattended service cold and impersonal, customers have grown accustomed to greater control. In fact, depending on the segment, it appears they prefer it:

- In a recent consumer survey, 2 out of 3 said they prefer self-service over speaking to a person for customer service inquiries.[1]
- 60 percent of consumers surveyed by Corporate Executive Board choose a company's Web self-service as the first method for resolving an issue.[2] A similar survey by Forrester returned 72 percent.[3]

As increasingly advanced mobile devices find their way into more hands around the world, customers will come to expect even greater control over their service experience. Should one company not meet their expectations, a competitor who will can be found with a tap of the finger.

Self-service can define an organization's capacity for growth

Exposing self-service capabilities also drives considerable benefits to the organization as some of these capabilities are already required for internal functions and systems. In mandating customers, agents, and vendors to "do for themselves," companies cannot help but:

- Eliminate non-value-added activities
- Architect for "exposing" capability and integrating functions and systems automate processes "end-to-end"
- Create companywide awareness that capabilities must be turned "inside-out" to serve others
- Eliminate cycle times, reduce errors and eliminate waste
- Galvanize innovation in measureable and practical ways

"I am emphasizing the self-service nature of these platforms because it is important for a reason I think is somewhat non-obvious," wrote Jeff Bezos in his 2011 Letter to Shareholders. "Even well-meaning gatekeepers slow innovation. When a platform is self-service, even the improbable ideas can get tried, because there's no expert gatekeeper ready to say, 'That will never work!' Guess what? Many of those improbable ideas do work."[4]

The "side" benefits companies collect on their self-service journey invariably make their organizations more efficient, responsive and innovative in the long run.

WHY THE DEFINITION OF SELF-SERVICE MUST CHANGE

Customers are not looking for "service." They simply want to get something done or resolve an issue. (Track a package. Change a flight. Fix a problem.) And, they increasingly want to do so quickly and efficiently online, so they do not have to make a phone call, send an e-mail or schedule an appointment.

What passes for self-service

Now, consider a more complex interaction. A customer applies for a loan through her bank's website. Once she submits her application, it typically lands on a bank employee's desk and proceeds through several reviews, some automated, some manual – all taking time and incurring cost. The customer must then wait for a call to verify her information and evaluate the parameters of the loan. Then, she waits while her application is reviewed, followed by signatures faxed back and forth…Since the customer was able begin this process online, many companies would define this as "self-service."

> If your self-service shows a lack in understanding your customers' goals, should they not wonder if you understand them at all?

Self-service must flow

But if the loan process above was truly "self-service," the customer would be able to go from the application process to receiving the money at her own pace without having to talk to somebody. It would flow from end-to-end.

Layering a self-service capability over one or two steps, without thinking through and integrating the entire

process, ultimately requires customers to switch to manual intervention. This does not flow, is not self-service and is all too common:

- Corporate Executive Board reported 57 percent of inbound calls come from customers who first attempt to resolve their issue on a company's website.[5]
- A recent study by The Customer Respect Group found online self-service offered by the majority of auto insurance providers—including State Farm, Travelers and Nationwide—to actually be unhelpful.[6]
- Forrester indicates that 49 percent of consumers are dissatisfied with help pages and FAQs found on company websites.[7]

What is your self-service communicating?

Customers want to accomplish their goals as they define them and as they see fit. Self-service should enable that. When it does not—when the flow is interrupted—the company must ask if it is still in touch with their customers' objectives. And, typically, the customer objective is most vulnerable to compromise in the implementation of self-service. Specifically, due to two common failures:

1. **Lack of change leadership** – Despite mounting data to the contrary, the concern that self-service will reduce the amount of service customers receive persists. This alone can create significant roadblocks. So, too, can concerns over a loss of control or the ability to customize. Pushing teams past these misconceptions and fears requires real leadership, and too many implementations falter due to a lack of it.

2. **Unwilling to tackle legacy issues** – From a technical and data standpoint, successfully implementing self-service comes with no lack of challenges. Chief among them is resolving the legacy issues self-service development tends to expose. The tough decisions needed to move forward are too often unexplored.
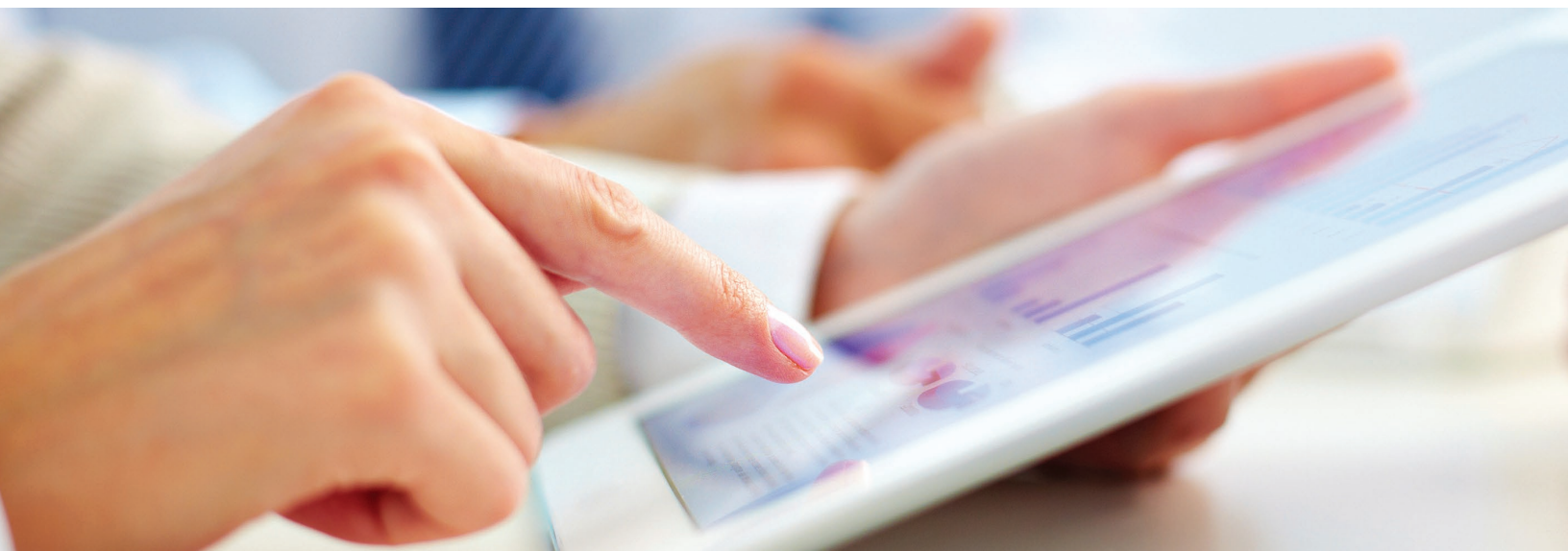
10 ESSENTIAL BEST PRACTICES OF FUTURE-READY SELF-SERVICE

Understanding the customer's objective is vital, and it can be more difficult than many companies realize. Yet, by comparison, it is far simpler than retaining that objective amidst the misconceptions, divergent agendas and difficult decisions involved in self-service implementation. This is where most companies fail and their customers' experiences suffers. According to a recent study[8] by Forrester, that experience can have a profound impact on performance:

- Organizations with the lowest customer experience index scores average a negative annual return of 46 percent, while those at the top averaged an annual return 23 percent higher.
- When firms move from below- to above-average scores, they generate incremental revenue based on customer loyalty ranging from $31M for retailers to $1.4B for hotels.

The role of self-service—the kind that flows all the way to the customer's objective—in customer experience will only continue to grow larger. Enabling "end-to-end" self-service is not easy, but your customers will not accept anything less.

After all, if their experience communicates a lack of understanding their goals, is it unreasonable for them to wonder if you understand them at all?

Experience creating self-service architecture in multiple environments has revealed 10 best practices essential to an end result that truly serves customer objectives. Some are strategic in nature, while others are more technical and operational. They have been divided accordingly.

1. Design everything from the customer's perspective

Involve your customers / partners / vendors in the design of self-service capabilities. Observe them as they try to accomplish activities important to them. Understand their requirements, true goals and get their ideas on how to improve. Then, design services and workflows from the customer's perspective regardless of how systems are owned internally. Expose them only to what will help them reach their objectives (capabilities and choices). Remove everything else.

2. Rethink policies and the need for manual intervention

Manage service matters by exception. This will allow the vast majority of customers to make real-time decisions and complete their objectives while you identify the hands-on problems. With the right analytics and algorithms, an automated system can make the repeatable decisions in tandem with a separate exception process for the minority that requires intervention and review.

3. Require the entire process to be automated

When the entire process—not just the steps—must be automated, your thinking about what is truly value-added activity will be stretched. Processes that end in non-automated corners become evident and are more easily corrected, resulting in significant improvements in cost and speed. It will force root-cause error reduction and vastly improve quality. Automating end-to-end is an amazing forcing function for innovation.

4. Provide a stateless workflow for real-time customer feedback

Design self-service workflows to support all registration, provisioning, configuration and de-registering processes from the beginning. Then design the underlying services supporting the workflows to manage all states. Also provide customers complete visibility into where they are in the process and how far they are from their objective. Allow them to stop at any point along the way and restart from their last stopping point.

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5. *Create a balanced set of metrics for the customer self-service experience*

Create metrics to measure the financial, operational, cost and quality facets of the customer's self-service experience. Break and cascade metrics into detailed sub-processes assigned to specific internal owners. Use routine meetings to review the metrics and encourage peers to challenge each other to improve performance that hurts any phase of the process.

6. *Create and support a program to systematically reduce contacts*

Using methods such as Six Sigma, find and resolve problem areas creating the most contacts by number and cost. Then, design customer interactions so simple, obvious and foolproof that no help documentation is required. In other words, make the experience "as simple as buying from Amazon.com." Implement "voice-of-the-customer" processes to let customers give direct feedback. This gives response teams empowerment to direct change and prioritization efforts across the company. Proper organizational support for this group is critical, since they are addressing the verifiable pain endured by customers.

7. *Unlock data and systems through Service-Oriented Architectures (SOA) and Web Services*

Externalizing processes managed by legacy systems is one of the biggest technical challenges in self-service, but it can be done. Invest in wrapping legacy systems using an SOA approach, so that developers can more readily access the underlying data and business logic. SOA architecture will also simplify the customer experience by abstracting and hiding the underlying complexity.

8. *Invest in user interface design to make all interactions outstanding*

Insist on user experience excellence in all interactions, including vendors, partners and employees. This increases the number who use self-service, requiring far less support from your organization. Requiring this level of consistency develops the habits and culture of "design excellence." Steve Jobs demanded the inside of the computer be as simple and beautiful as the outside. Why? It created a company-wide culture of design excellence and attention to detail.

9. *Analyze data to create new customer insights*

Collect as much data about customer self-service interaction as possible. Use this data to understand how the customer interacts with the system one way or another. Use this information to provide the feedback to both the customer and internal teams. Show the customer this data in a transparent way, including benchmark information, and set a high bar for the performance and reliability of the self-service platform. Consistently measure and review the "to-the-glass" performance of your services. Relentlessly focus on raising the bar by measuring and reporting against the worst, not the best, customer experience.

10. *Integrated and agile solution development*

Break the long cycle, big-bang project waterfall mentality by investing in agile development methods. Create integrated project teams between business, technology and operations. Make these truly integrated and break the traditional fences and rules of engagement. Challenge the organization to deliver significant benefit in no more than three-month segments. Engage tough problem sets early and seek speed to market. A bias for action will allow you to "see around the corner" and uncover problems others have not confronted yet, which in turn drives innovation.

CASE STUDY: AMAZON.COM
A PROFILE IN SELF-SERVICE ARCHITECTURE FOR THIRD-PARTY SELLERS

The Problem

In early 2002, Amazon.com wanted to open its online marketplace up to thousands of third-party merchants. The new, self-service, "Selling on Amazon" program had to meet a rigorous design objective:

A new seller had to be able to register, list and sell products in the middle of the night, with no one at Amazon knowing or assisting.

In other words, each step—from start to final sale—had to be 100 percent self-service.

> A new seller had to be able to register, list and sell products in the middle of the night, with no one at Amazon knowing or assisting.

This was a huge program impacting vast systems at Amazon, including website, item management, payment, customer service, fraud and ordering systems. The registration workflow alone required automation and integration of approximately 40 different backend systems. To add to that, new Amazon.com sellers possessed various levels of technical ability.

The Solution

The team decided to build different paths and tools for a range of seller types.

This required a complex set of requirements, a deep understanding of both the customer experience and seller experience, and a healthy dose of ambition.

By designing for self-service from the beginning, the team created clear and easily understood automations—well beyond what an internal-only process would have required.

Key self-service capabilities built included:

- **Registration:** A state-full workflow for a seller to register and begin listing, selling, and getting paid by Amazon.
- **Documentation:** A robust set of documentation and application programming interface (API) guides, including reference implementation material.
- **Test environments and validation:** Documented test cases, feedback and many test harnesses and tools to help sellers practice on the system before they started selling to real customers.
- **Different integration methods:** API driven, file upload or "1 x 1 graphical user interface (GUI)" tools sellers could either use or automate.
- **Feedback and account management:** A "Seller Central" portal environment in which a seller could manage his relationship with Amazon, including key settings, reports and notifications.
- **Extensive real-time data:** Providing orders, customer feedback and other operational information to help sellers do better and make more money.

The Results

In 18 months, Amazon.com went from not having any third-party sellers to having tens of thousands in more than 12 different categories.

"This was in 2002, 2003 and 2004, when I had the opportunity to play a key role in launching and scaling that side of the business," said John Rossman, Managing Director at Alvarez & Marsal and former Director of Merchant Integration at Amazon.com. "Today, it accounts for 40 percent of all Amazon.com units sold." Within five years, that share of overall sales is expected to grow to 55 percent.[9]

TAKEAWAYS

Self-service is no longer a 'nice-to-have'

Customers not only accept self-service, they expect it. As access to more advanced, web-savvy mobile devices increases, the demand for control over the kind of interaction they choose and the time it takes to reach their objective will only continue to grow.

Self-service must be 'end-to-end'

Yet, what too many companies accept as self-service will simply not be sufficient to keep pace with the rise and change of their customers' expectations.

Rather than a piecemeal approach layering self-service capability over one or two areas of the process, "service-agile" companies integrate self-service processes from end-to-end. They will enable their customers to not only begin a process, but also reach their ultimate objective without ever being required to "talk" to someone.

The 10 essential best practices of future-ready self-service

In our experience, creating self-service architectures in multiple environments, we have identified 10 best practices—strategic and technical—essential to leading a service-agile organization:

1. Design everything from the customer perspective
2. Rethink policies and the need for manual intervention
3. Require the entire process to be automated
4. Provide a stateless workflow providing real-time customer feedback
5. Create a balanced set of metrics for the customer self-service experience
6. Create and support a program to systematically reduce contacts
7. Unlock data and systems through Service-Oriented Architectures (SOA) and Web Services
8. Invest in user interface design to make all interactions outstanding
9. Create great usage metrics
10. Integrated and agile solution development

CONCLUSION

Enabling the capabilities essential to end-to-end self-service is not easy. It requires change at a level many companies have yet to consider.

Meanwhile, companies that have made the change are already reaping the benefits of increased revenue, lower costs to serve and greater market share. And they have, in turn, become more efficient, performance-oriented and customer-focused.

As customer expectations continue to rise, self-service is no longer a "nice-to-have." Rather, end-to-end self-service capabilities will only play an increasingly central role in who retains more customers, fosters innovation and spurs growth.

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John Rossman leads Alvarez & Marsal's Retail practice. Prior to A&M, John was Director of Merchant Integration at Amazon.com, where he was responsible for launching and scaling the third-party selling business, "Selling on Amazon," and building self-service systems for third-party sellers. Mr. Rossman has helped clients across the retail, education, philanthropy, insurance, and financial services sectors to build self-service capabilities that dramatically improve customer satisfaction, lower operating costs and reduce cycle times.

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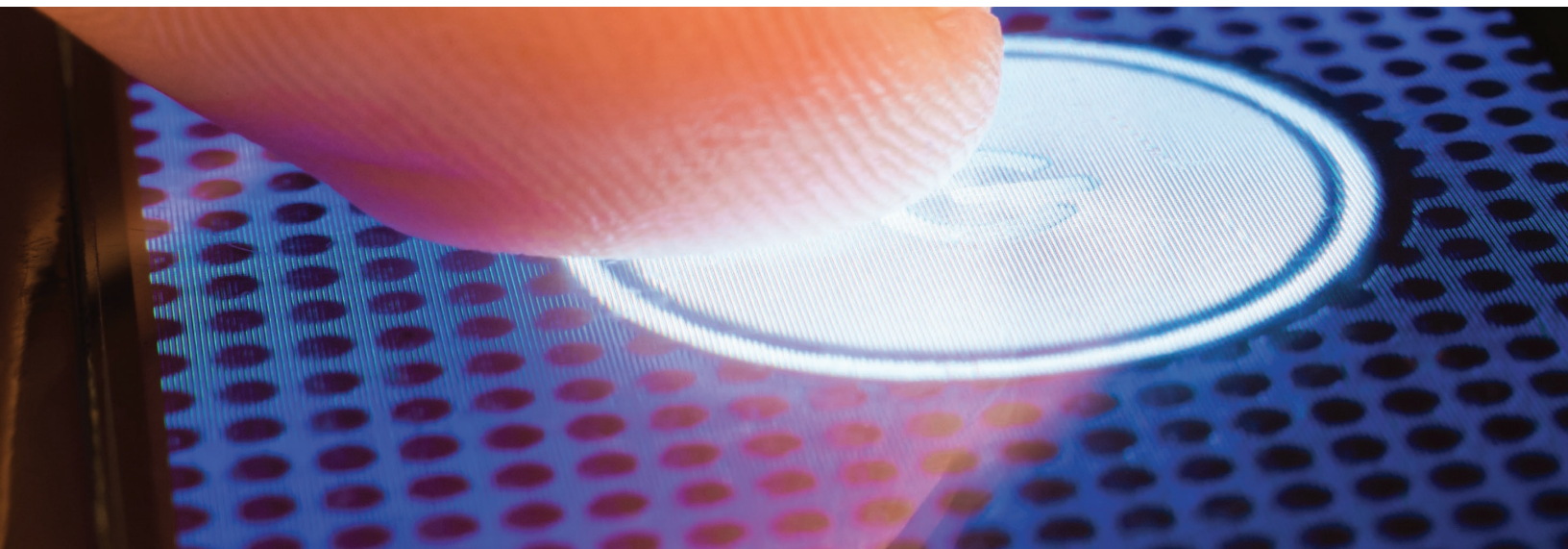
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