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The human factor in service design

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Focus on the human side of customer service to make it psychologically savvy, economically sound, and easier to scale.

Poor customer service isn't a headache just for consumers; it's a problem that vexes senior managers too. Balancing the trade-offs between the cost of services and the customer experience benefits they provide is difficult. Ensuring that frontline workers can efficiently and consistently execute service offerings across a far-flung organization is harder still. Along the way, many companies lose sight of what makes human beings tick—for instance, by overlooking well-known principles of behavioral science when delivering services—and thus unwittingly predispose customers to dissatisfaction.

At the same time, the customer service landscape is changing as social media and new mobile-phone technologies give companies unprecedented access to data on customer interactions, while the technologies are changing the nature of the interactions themselves—for example, by amplifying the speed and impact of customer complaints.

Three questions

Against this backdrop, some organizations are making strides in the design and delivery of services. By focusing more thoughtfully on the human side of customer service, these companies are lowering costs by 10 percent or more while improving customer satisfaction scores by up to 30 percent. In this article, we'll look at three such companies—a provider of cable-TV and Internet services, a technology company serving small and midsize businesses, and a car rental company. From their experiences, we've distilled three interrelated questions that CEOs and other senior executives should ask themselves before they introduce new services or conduct a reality check on the health of existing ones. Taken together, the questions can help spur productive conversations among top-team members, raising the odds that a company's services will be both efficient and effective.

For more about using large-scale data gathering to shape strategy, see "Seizing the potential of 'big data'," on mckinseyquarterly.com.

1 How human is our service?

It's no secret that the quality of a company's service interactions matters greatly in creating a positive experience with customers. Yet few companies focus on how customers form opinions about those interactions. By applying well-known principles of psychology and behavioral science to service designs and working harder to understand what really motivates—and irritates—customers, companies can begin improving the experience quickly and at low cost.[1]

Consider the experience of the cable-TV provider that looked to behavioral science to help improve its widespread reputation for bad service. The company started by examining the characteristics of its most important customer interactions—phone calls initiating new service—and quickly identified several pain points. The calls, for example, typically contained off-putting directives from agents, as well as "dead" periods when customers felt that their time was wasted. Worse, the calls often ended with awkward billing discussions and legal disclosures.

The company completely redesigned the calls. First, credit verifications occurred earlier, and in the background, while agents helped customers set up their accounts. This approach eliminated awkward silences, as well as the frustrations that arose at the end of calls if customers were found not to be creditworthy.

This new approach also allowed customers to feel more in control, by adding simple choices to the conversation: "How do you want your billing to be set up?" for example, or "How would you like your installation to be conducted?" By reframing as choices what had previously been directives, the company found that consumers began rating the interactions more positively.

Agents were also coached to end the calls on a high note—another human preference that behavioral scientists have identified—by surprising customers with a coupon for a free product. Replacing what had been a stilted and highly scripted ending ("a lot of fine print and disclosures," admitted one sales agent) with a bonus offer helped customers to view the calls more positively, introduced them to the company's product catalog, and ultimately drove higher sales.

Similarly, behavioral science indicates that customers dislike unexpected changes and are more satisfied when they can stick to their habits during service interactions. A B2B sales group at a technology company took this tendency into account when it significantly redesigned its sales processes for small-business customers. The company augmented its traditional sales blitz approach—multiple reps targeted many clients at once, common in B2B settings—by assigning a specific "service champion" to each client. A consistent point of contact improved customer satisfaction and helped free up the sales reps' time for additional selling.[2]

Finally, by thinking harder about what makes customers tick, companies can turn service weaknesses into strengths and even spot possible new service offerings. A rental-car company, for example, recognized that its value-segment customers became more anxious than its premium customers did at the prospect of finding assigned cars in crowded lots. (The reason, in large part, was that value-segment customers traveled infrequently and were less familiar with the rental process than the premium customers were.) This observation led the company to introduce a successful—and, for travelers, less stressful—"pick any car" option.

2 How economic is our service?

The service offering that the rental-car company implemented was grounded in a clear economic rationale. The pick-any-car option was not only more efficient to operate than the old system but also created valuable revenue opportunities: the economy- and luxury-car choices were parked next to each other, so value-segment travelers with families were frequently tempted to splurge on larger, more expensive vehicles. Many executives miss opportunities such as these when they overlook the full economic impact of customer service.

In practice, of course, trade-offs among service levels, revenues, and costs are complex. Mastering the challenge requires developing an integrated view of the economics across a range of customer touch points. Often, tools such as breakpoint analysis, which can help

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determine customers' actual sensitivity to service changes, are a good place to start.

The rental-car company, for example, conducted such an exercise and learned that its value-segment customers were more amenable to driving used cars than it had previously assumed. Received wisdom in the industry held that consumers balked when vehicles reached 30,000 or so odometer miles. Yet a quantitative and qualitative analysis showed that customers would accept cars with higher mileage if the costs were relatively low, the cars were clean, and the company offered a well-crafted maintenance and reliability guarantee. Determining the breakpoints opened the company up to a whole range of higher-mileage vehicles it hadn't considered before and thus represented a significant potential for savings.

Similarly, the technology company's sales group found that wide variations in service levels were acceptable when it returned its customers' telephone inquiries. Executives knew, of course, that calls about the accuracy of orders required an immediate response but hadn't realized that the company's B2B customers were willing to wait up to a week for answers to other types of inquiries. Getting a handle on the different breakpoints allowed the service champions to work efficiently while still focusing their immediate attention on service hot spots.

The cable company's managers conducted similar analyses as they focused on its inefficient (and, for customers, frustrating) scheduling system for in-home installations. The company had considered narrowing its appointment window—the block of time in which it promised to arrive at a customer's home—to one hour, from four. But after studying the sensitivities of customers, the company found that the duration of the appointment window was less important to them than having drivers actually arrive sometime within it. Furthermore, the sweet spot for efficiency and customer satisfaction came at the two-hour mark. Optimizing for service better than that wasn't worth the additional cost.

To be sure, the cable company's executives looked closely at other basic cost drivers, and also balanced them against service outcomes. The company recognized, for example, that customers hated it when its employees didn't have the necessary equipment on the day of an installation and had to schedule a second visit. Worse, any time the installers spent driving back to the distribution center was time they couldn't use to educate customers about using the new equipment or to sell spur-of-the-moment service upgrades. An analysis of supply chain and inventory levels for modems and video equipment helped the company to improve its "on truck" availability in a significant way. This and other process changes helped double the amount of time installers spent educating customers, and that led to a 10 percent increase in additional sales made on the day of installation.

3 Can our people scale it up?

When putting together services that are economically attractive and grounded in a good understanding of what motivates customers, companies shouldn't overlook their own employees—the *other* human beings involved in a transaction. Companies give themselves a big edge when they design service processes that a widely distributed workforce can easily adopt, understand, automate, and execute.

The cable company's call center managers, for example, worked with sales agents to prepare them for the handful of scenarios that were most common, most likely to lead to dissatisfaction, or both: repair inquiries, as well as problems with the Internet, particular channels or channel bundles, and billing. Taking this more modular approach to calls helped improve the quality of training, which in turn helped improve service outcomes and the operational efficiency of calls. Better still, the moves dramatically improved *employee* satisfaction by giving frontline workers a clearer sense of what was required of them and how to prepare for it. "The new flow of the calls," said one call center employee, "makes things easier for the customers, representatives, and technicians."

Similarly, the technology company's B2B sales unit identified the handful of most common situations its call agents faced each day. It then created a simple checklist of procedures to help standardize the way agents handled these situations; processes had varied considerably before, making communication between sales teams in different regions difficult. The new approach improved the consistency of service and made it far easier for the company to roll out changes across its more than two dozen widely dispersed regional markets.

As these examples imply, making services scalable involves more than standardizing processes: companies must ensure that their employees have the organizational capabilities necessary to carry out the tasks involved. Indeed, any suspected skill gaps should sound warning bells across the C-suite, even if a new service offering is economically sound and psychologically savvy.

This lesson was understood by the rental-car company's senior team, which became concerned about the scalability of one of its new service ideas: a system allowing customers to check in while riding on the shuttle buses from an airport to the company's rental facility. The company had piloted the service at smaller locations, where it was successful. By making customers feel, for example, that their time on the buses was better used, the new system made the long ride less annoying. Moreover, the service offered considerable potential for agents to promote vehicle upgrades during the rides.

Nonetheless, as the company experimented with this approach at its larger locations, executives began having second thoughts about its scalability—in particular, whether agents were fully prepared to sell in the new way. Ultimately, the executives tabled the implementation of the new approach until they could study the situation further and determine if the organization was ready for the changes.

Postscript: Organizing for action

While the decision to postpone the new service wasn't easy for the rental-car company's executives, at least they were in a position to make the call. Too often, we find that siloed decision making and implementation plans make it difficult for companies to involve the broad range of people required to change customer service priorities.

By contrast, the best companies we've studied establish teams with a rotating, cross-functional membership to review key services periodically. The most successful teams include a range of roles, from frontline salespeople and marketing managers to practitioners of lean production and Six Sigma—and even behavioral psychologists.

Further, as more and more customer data become available, some companies are investing in advanced analytics to understand customer interactions and channel preferences at a much more granular level. By focusing on the end-to-end nature of services as customers see them (from, say, order to provision) these companies can spot trouble—and design new services—much more quickly and successfully. ○

[1] Of course, leading companies use a variety of approaches—in addition to behavioral science—to help identify customer pain points and to suggest new service offerings. These techniques may include quantitative assessments of trends among customers, competitors, and technologies, as well as ethnography.

[2] See Olivia Nottebohm, Tom Stephenson, and Jennifer Wickland, "Freeing up the sales force for selling," mckinseyquarterly.com, July 2011.

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