The Customer Value Advantage

Capture untapped opportunity to drive loyalty and retention
Beyond cost-effective, efficient service

Customer service and support (CSS) leaders have historically faced pressure to effectively resolve customers’ issues while protecting the bottom line. Their No. 1 job was to return customers to a steady state with the product or service they had purchased through an effortless, cost-efficient experience. To the extent that CSS organizations impacted loyalty outcomes, they did so through reducing disloyalty.

While low-effort customer service remains an essential part of service strategy, it’s insufficient. There’s a huge opportunity for CSS to do more to drive tangible business outcomes, specifically by helping customers achieve their intended goals with the product or service they purchased. When service creates this value for customers, it can boost customer loyalty outcomes such as retention, growth and advocacy.

The best CSS organizations capitalize on service interactions to make an impact on loyalty through “value enhancement” — not just ensuring that the customer’s issue is resolved, but that they leave an interaction more confident in their purchase decision and better able to maximize the value of their product or service.

Many service and support organizations already create value for customers but they do so in an ad hoc, unplanned manner. To fully address customers’ needs and capture the business opportunity at hand, CSS leaders must (re)organize their operations to efficiently and systematically deliver customer value while also minimizing customer effort.

Our research shows that CSS leaders don’t have to trade off low-effort issue resolution to create value for customers. The most successful CSS organizations achieve this by effectively matching the right service to a customer’s needs. This involves identifying and prioritizing critical customer segments, using customer data to predict customers’ needs, intelligently routing customers to the next best service interaction and proactively delivering service through digital channels.

Research components

Customer panel survey sent to 6,000 service and support leaders

Service and support leader survey with 100+ global participants

Interviews with 80+ service leaders across industries, geographies and business types
Job No. 1: Mitigate disloyalty through low-effort resolution

Our research has shown that a great customer service experience can, at best, mitigate disloyalty. Though limited, this risk-reducing role of CSS organizations has historically been important. While a low-effort service experience is unlikely to increase loyalty, a poor service experience is sure to lead to unhappy — and ultimately disloyal — customers.

Source: Gartner
Value enhancement greatly increases the probability a customer will stay

When we analyzed customer responses to their service interactions, some reported that they were not only less likely to show disloyalty toward the company, but more likely to advocate, renew and spend more.

Specifically, these customers said, for example, that the interaction had increased their confidence in their original purchase decision or helped them achieve more with the product/service.

After this type of value-enhancing service interaction, we found an 82% probability that the customer would stay when presented an opportunity to switch.

Probability of customers choosing to stay with a company
Effects of resolution, high effort and value enhancement on customers during an active stay/go decision

<table>
<thead>
<tr>
<th>Probability of staying</th>
<th>No resolution</th>
<th>High-effort resolution</th>
<th>Low-effort resolution</th>
<th>Value enhancement</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>27%</td>
<td>37%</td>
<td>61%</td>
<td>82%</td>
</tr>
</tbody>
</table>

n = 2,196 customers with stay/go decisions following a service interaction in the past 60 days.
Source: Gartner

* Other variables with statistical significance include: Quality of product, quality compared to competitors, switching costs, product/service/utility, issue, industry.

"After the customer service interaction I am able to achieve more with the product/service."

"After the customer service interaction my confidence in my decision to purchase the product/service is higher."
Value enhancement drives loyalty

Source: Gartner

1. Mitigate disloyalty through low-effort resolution.

2. Boost loyalty through value enhancement.

Loyal customer:
- They made me more confident in their product and the company!

Neutral customer:
- They made it easy for me to resolve my issue.
Value enhancement helps retain customers regardless of switching costs

Significantly, value enhancement improves all key loyalty metrics and improves the retention rate for customers actively looking to switch, whether the switching process is easy or hard.

**Value enhancement upside on all loyalty dimensions**
Comparison of probability of staying with company increased wallet share and positive word of mouth

- Retention: 82%
- Wallet share: 86%
- Positive word of mouth: 97%

n = 2,196 customers with stay/go decisions following a service interaction in the past 60 days.
Source: Gartner
Retention was defined as customers who had an active stay/go decision.

**Value enhancement helps retain customers actively considering a switch**
Effects of value enhancement on customers during an active stay/go decision

- High effort to switch: 90% vs. 73% (with value enhancement vs. average)
- Low effort to switch: 69% vs. 52% (with value enhancement vs. average)

n = 2,196 customers with stay/go decisions following a service interaction in the past 60 days.
Source: Gartner
Many interactions are ripe to enhance value

Our research suggests only about 15% of customer interactions currently produce value enhancement but many more could.

The opportunity largely depends on the reason for the initial contact. The greatest chance to enhance the value the customer perceives is during inquiry calls. The lowest likelihood of success is during complaint calls.

Inquiries have increased as a percentage of all contacts in recent years — while the percentage taken up by complaints has declined.

Depending on the mix of calls, value enhancement could now occur in 35-50% of conversations.
5 value-enhancing activities

Our research reveals five key ways to drive value enhancement during service interactions:

- Validate customer purchase decisions. Reassure the customer that their purchase decision was a smart one.
- Anticipate customer needs. Predict what features your customer may find valuable in the future based on their current needs.
- Help customers achieve a goal. Outline the product features a customer should use based on their goal for partnering with you.
- Educate customers on better uses. Rather than focusing on how customers have been using the product incorrectly, teach them how best to use it.
- Advise customers on new uses. Introduce the customer to newly introduced or untapped product features.

If customers receive value during a service interaction, then their likelihood of repurchase, increased spend and speaking positively about the company dramatically increases.

- **82%** probability of repurchase or renewal when presented the chance to switch
- **86%** probability of increasing wallet share
- **97%** probability of sharing positive word of mouth

n = 6,004
Source: Gartner Loyalty Through the Customer Service and Support Survey
### How to operationalize value enhancement

<table>
<thead>
<tr>
<th>Predict opportunities</th>
<th>Allocate resources</th>
<th>Automate delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify signals of openness to value enhancement</td>
<td>Match customers to best-fit resource</td>
<td>Scale through automation</td>
</tr>
<tr>
<td>1. Identify segments in need of value enhancement</td>
<td>3. Pool resources</td>
<td>6. Leverage existing data sources</td>
</tr>
<tr>
<td>Find customer traits or segments that are more open to value enhancement conversations; e.g., time since purchase, customer persona, issue type.</td>
<td>Create a subset of reps who have demonstrated ability to increase scores; match customers in need with those reps.</td>
<td>Start where high-quality data already exists — in terms of its accuracy and how quickly that data is updated and processed.</td>
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<td>2. Predict value enhancement with analytics</td>
<td>4. Equip reps</td>
<td>7. Identify activities to automate</td>
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<td>Use a predictive model to assign customers a score indicating the need for, or likelihood of success of, value enhancement conversations.</td>
<td>Prepare all reps with guidance on value enhancement principles.</td>
<td>Look for high-value situations where value enhancement is taking place organically and automate those first.</td>
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<td>5. Deliver value through self-service</td>
<td>8. Expand as ROI is demonstrated</td>
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<td>Be aggressive and proactive in pursuing value enhancement opportunities in self-service, as these customers are more tolerant than those in live channels.</td>
<td>Predetermine measures of success that tie back to a specific initiative. Demonstrate financial returns to justify existing investments and help secure additional funding.</td>
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