Gartner for Customer Service & Support

Transform Your Service and Support Experience With Dynamic Customer Engagement

John Quaglietta, Senior Director Analyst
Philip Jenkins, Senior Director Analyst
Organizations’ reactive service approach results in high customer effort experiences limiting self-service effectiveness and profitability. Customer service and support leaders must transform service experiences with dynamic customer engagement to enable personalized, proactive next best actions.

**Overview**

**Key Challenges**

- Customers readily switch channels to obtain information or resolve issues; however, service channels are not connected, requiring customers to start over when switching channels, increasing customer effort and frustration.

- Organizations cannot leverage data due to limited data management capabilities and investment in analytics necessary to identify the insights required to personalize customer communications, limiting self-service containment and increasing operating costs.

- Service organizations operate in a reactive manner at a transaction level, requiring customers to exert significant effort to navigate multiple service channels, often unsuccessfully, resulting in high call volume and customer dissatisfaction.

**Recommendations**

Customer service and support leaders responsible for improving the digital, self-service and assisted service channel effectiveness must:

- Evaluate the potential economic and customer experience impacts of dynamic customer engagement (DCE) to their organization by meeting with peers and experts.

- Assess the current state of technology architecture and data management capabilities against DCE requirements by partnering with IT to identify gaps and build a technology roadmap to support implementation.

- Evaluate existing organizational resources and conduct a talent and skills gap analysis by partnering with human resources to identify and implement a plan to attract, hire and retain the additional resources required to implement and operate DCE.
Introduction

Most service organizations operate in a reactive manner at a transaction level, requiring customers to exert significant effort to navigate multiple service channels, often unsuccessfully, resulting in low self-service containment and customer dissatisfaction. To increase self-service and lower cost, organizations added more digital channels and increased self-service capabilities. However, adding and integrating more channels increases organizational costs and complexity, with marginal improvement in the service experience and limited self-service containment.

Reactive service experiences place the burden on customers to find the best channel for resolution, whether it's to check on the status of a request, conduct a transaction (such as bill pay), or troubleshoot a repair issue. Customers often switch channels or use multiple channels concurrently, further increasing both effort and service costs. The negative impact of these reactive service experiences extends beyond cost and the service experience. These impacts affect the organization's revenue, its inability to mitigate disloyalty and maximize wallet share, and gauge overall profitability.

Data is the building block to enable personalized and proactive customer service experiences. However, while service organizations often possess significant data, a lack of investment in data management, analytics, technology, process and talent limits their ability to convert the data to actionable insights and proactive customer engagements. Service organizations are forced to maintain additional representatives to handle the assisted channel volume increasing service costs.

DCE is a strategy that enables organizations to deliver differentiated service experiences. This research explores DCE, its impact on service organizations’ operating model and the significant business benefits resulting from the transformative service experience (see Figure 1).

Figure 1: DCE Framework
DCE Transforms Customer Experience and Delivers Business Benefits

Service differentiation is quickly becoming more than a competitive advantage; it is essential to an organization's survival. Customer service expectations are increasing and every interaction is an opportunity to increase loyalty and mitigate disloyalty. While customers have always been quick to share good and bad experiences with friends and families, social media has extended the impact of that experience exponentially. To address increasing service expectations, economic impacts and increase organizational resiliency, service organizations must transform their service experience with DCE.

This research will provide customer service and support leaders a high-level overview of DCE and address the following key questions:

- How does DCE allow service organizations to become proactive and deliver next best actions?
What new capabilities are enabled by DCE to transform the service experience?

What changes to an organization’s operating model are required in the areas of technology, people and process to implement DCE?

How do service leaders get started with DCE?

DCE Empowers a Service Organization to Deliver Next Best Actions

An organization’s ability to transform data into insights with analytics is the fuel that powers the customer engagement engine. Figure 2 illustrates the DCE analytical model, ranging from data curation to business benefits, showing how data is converted to actionable insights to improve business outcomes. These insights become actionable in the form of a next best action (NBA) use case. An NBA has a specific, desired outcome in the form of an action, a communication or an offer. The action may be initiated by the organization (such as a restoral of service) or by the customer (such as to pay a bill or provide an account update).

![Figure 2: DCE Analytical Model](image)

**DCE Analytical Model**

<table>
<thead>
<tr>
<th>Curate Data</th>
<th>Actionable Insights</th>
<th>“Best” Decision</th>
<th>Transform Results</th>
<th>Optimal Outcomes</th>
</tr>
</thead>
</table>
| - Channel interactions  
- Marketing offers  
- Billing systems  
- Account management  
- Orders  
- Profile/demographics | - Simple insights  
  - Payment due  
  - Order in process  
  - Open case  
- Predictive models  
  - High risk  
  - Upsell/cross-sell  
  - Lifetime value | - Take action on behalf of customer  
- Request customer to take action  
- Inform customer for awareness  
- Make targeted offer to customer | - Reduce contact volume  
- Increase self-service  
- Improve first-contact resolution  
- Reduce churn/cancels  
- Increase upsell/cross-sell | - Reduced expense  
- Increased revenue  
- Improved employee experience  
- Improved customer experience |

Source: Gartner

When the customer is required to perform the action, the communication is first triggered either as a proactive outbound message or a reactive inbound message or alert (if the customer first
engages the organization). In other cases, the communication is only meant to inform the customer to avoid a possible action, such as an update on the status of a package, the arrival of a technician or payment receipt. NBAs are prioritized through business rules or with trained models or machine learning algorithms (MLAs). Figure 3 illustrates DCE maturity from reactive interactions to proactive conversations powered by NBAs.

Figure 3: DCE Maturity — Reactive Interactions to Proactive Conversations

**DCE Maturity — Reactive Interactions to Proactive Conversations**

While an insight-driven NBA will improve service experiences, the enhanced capabilities of DCE will exponentially improve results in other key areas, such as expense reduction and revenue generation.

**DCE Capabilities Allow a Service Organization to Transform Customer Experience**

DCE capabilities allow an organization to transform customer experiences. These capabilities include:

- **Proactive Engagements** — Ability to send an outbound message and/or preempt a customer journey during a reactive engagement.
- **Low-Effort Experiences** — Ability to reduce customer effort to engage and complete transactions.
- **Contextual Actions** — Ability to present relevant, trusted and timely actions and information to customers.
- **Personalized Content** — Ability to personalize content to the specific customer, increasing his or her willingness to engage.

- **Connected Journeys** — Ability to orchestrate and connect a customer’s journey across channels, eliminating the need to start over when switching channels.

- **Continuous Conversations** — Ability to engage customers in a series of communications and NBAs, creating a continuous conversation throughout the customer life cycle.

Table 1 compares the current state of customer service to a DCE-enabled future state of customer service capabilities, emphasizing the significant benefits in cost, revenue and experience.

**Table 1: Customer Engagement Capability Comparison — Current Versus Future State**

<table>
<thead>
<tr>
<th>Current State</th>
<th>DCE Future State</th>
<th>DCE Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reactive Engagement</td>
<td>Proactive Engagement</td>
<td>Reduced contacts</td>
</tr>
<tr>
<td>My package didn’t arrive, so I called to find out the delivery status. They told me it would arrive on Friday.</td>
<td>They texted me to let me know my package was delayed and would arrive on Friday. They sent me a link to a website to track the package in real time.</td>
<td>Call avoidance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Call deflection</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lower cost to serve</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improved customer satisfaction</td>
</tr>
</tbody>
</table>
### High-Effort Experiences
I forgot to pay my bill and ended up having a late-payment charge. I called to make the payment and opted out of self-service to speak with a rep and ask for the late-payment charge to be waived.

### Low-Effort Experiences
I received a text indicating my bill was due and only had to reply with “yes” to pay my bill using my credit card on file.

### Reduced customer effort

### Improved customer satisfaction

### Higher Net Promoter Score

### Fewer complaints

### Reduced one-time credits

### Out-of-Context Actions
I was calling to cancel because of a price increase, but the rep kept trying to sell me more services.

### Contextual Actions
I was calling to cancel because of a price increase, but the rep found me a better offer based on my actual usage and I decided not to cancel.

### Improved first-contact resolution

### Reduced customer cancels/lower churn

### Improved revenue

### Nonpersonalized Content
I logged into the banking app to apply for a new credit card but I wasn’t sure which one was best for me, so I decided to visit the local branch.

### Personalized Content
I logged into the banking app to apply for a new credit card and a preapproved offer was already waiting for me based on my spending habits.

### Increased self-service containment

### Lower customer effort

### Improved customer satisfaction
While an NBA is the culmination of the DCE program, service organizations will need to evaluate their current operating model to identify gaps in key components necessary to enable DCE. Three major components critical for DCE are technology, people and process. DCE will require a significant shift in these areas for most service organizations (see Table 2).

**Table 2: DCE Major Components — Current and Future State**

<table>
<thead>
<tr>
<th>Current Journeys</th>
<th>Future Journeys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disconnected Journeys</td>
<td>Connected Journeys</td>
</tr>
<tr>
<td>Specific Transactions</td>
<td>Continuous Conversations</td>
</tr>
</tbody>
</table>

Disconnected Journeys
I went online to check the status of a claim and saw it was denied. I called to speak with a rep but I had to be transferred twice before reaching the right department to appeal the denial.

Connected Journeys
I went online to check the status of a claim and saw it was denied. I called to speak with a rep. The phone system asked if I was calling about my claim, and when I said, “yes,” it routed me to a claims specialist who helped me appeal the denial.

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**Source:** Gartner

**DCE Impact on Service Organizations’ Operating Model**

While an NBA is the culmination of the DCE program, service organizations will need to evaluate their current operating model to identify gaps in key components necessary to enable DCE. Three major components critical for DCE are technology, people and process. DCE will require a significant shift in these areas for most service organizations (see Table 2).
Deploying DCE will require many different technologies to realize full maturity and maximize business value. These technologies will fall into three key systems (see Figure 4):

- **Systems of Record** — Sources of data from organization applications/databases and third-party providers.
- **Systems of Intelligence** — Applications necessary to transform data into insights with advanced analytics and determine an NBA.
- **Channels of Engagement** — Channels used by customers and employees for reactive and proactive communications.

<table>
<thead>
<tr>
<th>DCE Major Components</th>
<th>Probable Current State</th>
<th>Required Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>Multiple and competing technologies used across functions and business units.</td>
<td>Common enterprise technology architecture to support all functions and business units.</td>
</tr>
<tr>
<td>People</td>
<td>Domain-specific experts operating in siloed business units.</td>
<td>Domain-specific experts combined with highly specialized resources operating in concert to achieve organizational goals.</td>
</tr>
<tr>
<td>Process</td>
<td>Siloed efforts focused on delivering specific business unit goals.</td>
<td>Collaborative cross-functional efforts focused on delivering customer-centric solutions to achieve organizational goals.</td>
</tr>
</tbody>
</table>

Source: Gartner
Systems of Record

Systems of record refers to the sources of data available to the organization through a master data management strategy. This includes data that originates within the organization, also called first-party data. Customer relationship manager application, customer digital interactions (such as website, mobile apps, customer portals, interactive voice response system), and billing systems are examples of common critical first-party data sources.

Second-party data (from business partners and affiliates) and third-party data (from external sources, such as demographic data, credit history and other marketing data) round out the data sources. There is a lot more to the systems of record than the sources of data, but for now, let’s keep it simple and discuss how the data becomes insights with the systems of intelligence.

Systems of Intelligence

Systems of intelligence (SOI) is where an organization’s data is transformed into insights through analytics. The SOI will include the applications used by an organization’s data science team to build models or MLAs, such as those used to predict calls, identify upsell opportunities or identify
customers at risk to cancel/churn. These insights are prioritized and made actionable by a decision engine. The decision engine is the brain of DCE and often uses a combination of business rules, models or MLAs depending on the organization's DCE maturity level.

One of the most important decisions, aside from prioritization, is whether an insight should trigger a proactive outbound communication, such as an email, text message, website alert or mobile notification. In some cases, an insight that would normally trigger a proactive message might be suppressed because another insight is of higher prioritization and conflicts with the lower-priority insight. The decision engine will ensure the optimal NBA is selected to deliver highly personalized and contextual customer engagements. The results are improved customer experiences that increase customer loyalty while reducing cost and improving revenue.

Channels of Engagement

Channels of engagement (COE) is the third and final major component of DCE. Channels include websites, mobile apps, email, text messages, customer portals, physical locations, call centers and increasingly AI-powered channels (such as chatbots and intelligent virtual assistants). Channels may be digital or analog, virtual or face to face, use voice and/or text modality, be one-way or two-way. The COE is where the insights become actionable to enable dynamic customer conversations.

While each channel can operate independently, DCE enables these channels to operate in concert with each other. The channel orchestration ensures a consistent experience on reactive and proactive engagements or as the customer switches channels. The orchestration is enabled through integrations between the channels and the systems of intelligence. While DCE requires significant shifts in technology, the transformation may be more complex considering the human elements and organizational change required to support DCE.

People

While technology can be evaluated in a logical manner, humans are far more difficult to assess because of how we perceive and respond to changes in our work environment. Stress, pressure, distractions, lack of communication and physical factors, such as fatigue, can cause us to react to major shifts driven by changes in technology, process and people. DCE will require significant change for organizations, prompting resistance from some individuals and workgroups.

Service leaders will likely spend more time on governance and communications in their role than any other area required to plan, implement and maintain the DCE program. Table 3 highlights key actions to address the people elements when implementing DCE.

Table 3: People Elements of DCE

<table>
<thead>
<tr>
<th>Areas to Address</th>
<th>Critical Actions</th>
</tr>
</thead>
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Process

Process is the third key component of the operating model that will need to be evaluated for DCE. Organizational processes will most likely need to be adjusted for DCE transformation. DCE requires organizations to redesign their business planning cycle. Annual planning cycles do not allow organizations to react to the rapid pace of change driven by technology and in response to economic and competitive pressures.

The acceleration in business planning cycle and significance of the DCE transformation to an organization’s operating model will affect other business processes, such as business case prioritization, program management functions and development methodologies. Investment to support technology and talent might require some business cases without an immediate ROI to be prioritized. These investments are necessary to build the architecture that will allow for future business cases to deliver significant ROI.

Program management teams will need to add certifications, such as Agile Certified Practitioners, Scrum Masters and Lean methodologies. Organizations will need to use both waterfall and agile development methodologies. Waterfall is still required for the long-term projects more rigid in requirements, such as those used to build the DCE platform. Agile and human-centered design will

<table>
<thead>
<tr>
<th>Areas to Address</th>
<th>Critical Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alignment of Business Leaders</td>
<td>Create the DCE strategic plan (including the business case and clarifying organizational roles and responsibilities) and ensure alignment across key business leaders for DCE through a governed communications plan.</td>
</tr>
<tr>
<td>Organizational Roles and Responsibilities</td>
<td>Evaluate the organizational structure and the possible reorganization or realignment of roles and responsibilities for all essential teams (IT, service and support, sales and marketing, digital), providing clarity in key responsibilities, such as data management, data analytics, channel design and customer experience.</td>
</tr>
<tr>
<td>Organizational Culture and Change Management</td>
<td>Evaluate the organization's culture and willingness to embrace change and develop an appropriate education and communication plan to explain the “what’s in it for me” to obtain explicit buy-in across all levels of the business.</td>
</tr>
<tr>
<td>Talent and Skills Evaluation</td>
<td>Evaluate the existing talent of the essential teams and determine gaps in headcount by department and skills required to plan and implement DCE.</td>
</tr>
</tbody>
</table>

Source: Gartner
be necessary for the software development of the organization’s digital platforms. These program management skills, when combined with a hybrid development methodology approach, allow organizations to be more agile and responsive to changing marketing dynamics.

Getting Started

DCE transformation impacts all aspects of an organization’s operating model, including strategy, technology, people and process. DCE is a multiyear initiative for most organizations. However, DCE can deliver benefits in Year 1 for an immediate return on investment if the right set of use cases are identified and undertaken. Demonstrating early wins is critical to long-term success and helps build the momentum required to undertake a multiphased, transformation project like DCE. The following information details the initial steps for organizations to get started with their DCE transformation.

Identify Initial Use Cases and Prioritize

- **Develop a list of potential use cases**: The highest-volume contact types that require the least amount of customer effort are excellent candidates for an organization’s first set of use cases. Selecting the right use cases will be the most important decision toward delivering immediate ROI and garnering support for the multiphase DCE strategy.

- **Determine business impact of use cases**: Think in terms of high cost, loss of revenue, negative impact on retention and customer experience. Which use cases have the highest business impact?

- **Evaluate and prioritize the use cases**: Evaluate and prioritize use cases based on business impact. Which use case has the opportunity to deliver the highest benefit? Which use case represents the lowest risk? Which use case do we have a higher probability of implementing successfully based on our current talent?

Build the Business Case

- **Develop solution options**: Various solution options should be identified to address the use-case opportunity.

- **Analyze solution options**: Select the best solution option based on ROI, net present value, internal rate of return and the ability of the solution option to support future use cases and the DCE future state.

- **Engage Gartner resources**: Engage Gartner analysts and advisors to review use cases and potential solution options and have them provide recommendations.

- **Develop a high-level implementation plan**: Detail how the solution will be implemented and the use case and business benefits realized.
Champion the Business Case

- **Identify and engage key stakeholders:** Identify the stakeholders required to support the DCE program and help with business case approval. These stakeholders will include people from lines of business, IT, digital, finance and other departments.

- **Refine business case based on stakeholder feedback:** Engage cross-functional stakeholders to test the business case and refine it based on feedback.

- **Present business case for approval:** Present the business case and secure funding and approval for the business case.

### Acronym Key and Glossary Terms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI</td>
<td>artificial intelligence</td>
</tr>
<tr>
<td>API</td>
<td>application programming interface</td>
</tr>
<tr>
<td>CRM</td>
<td>customer relationship manager</td>
</tr>
<tr>
<td>DCE</td>
<td>dynamic customer engagement</td>
</tr>
<tr>
<td>IoT</td>
<td>Internet of Things</td>
</tr>
<tr>
<td>ML</td>
<td>machine learning</td>
</tr>
<tr>
<td>NBA</td>
<td>next best action</td>
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</tbody>
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### Recommended by the Authors

- Technologies for CRM and the Emerging Customer Engagement Hub
- Transcend Omnichannel Thinking and Embrace Multiexperience for Improved CX
- 2019 Strategic Roadmap for Customer Service and Support Technologies
- Case Study: Customer Engagement Engine (Commonwealth Bank of Australia)

### Recommended For You

- The Customer Service Executive's First 100 Days
- 2019 Outlook: 4 Challenges With the Digital Customer Service Experience
- Customer Service and Support Score
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