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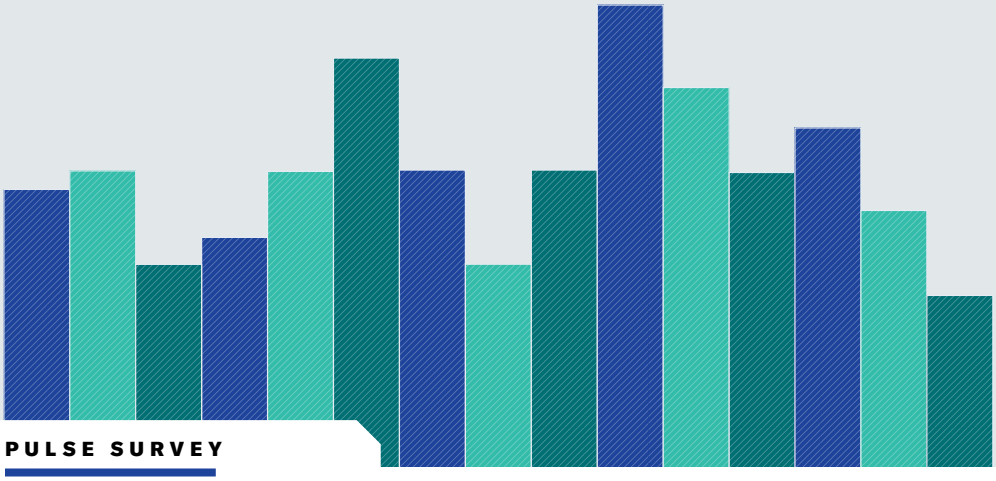

PULSE SURVEY

Changes Ahead for B2B Customer Service in a Digitally Driven World

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Modern customer journeys are a complex web of experiences and interactions that are meant to maximize the value of your product or service. Best-run companies can make these journeys simple, rewarding, and effortless. However, when there's a disruption to value delivery, customers look to customer service for resolution. This is a critical moment of truth where the brand promise is delivered and loyalty is earned. Successfully delivering service resolution in this era of perpetual newness requires customer service to connect across the enterprise to deliver the optimal resolution to exceptions.

The speed of innovation for products and services has added exponential complexity to delivering an optimal resolution. We believe this new era requires a reimagining of customer service. Successful resolution requires organizations to activate and orchestrate the resolution process across the entire enterprise. With embedded artificial intelligence and process optimization, service operations can accelerate speed to resolution while maintaining the brand promise.

We've sponsored this research by Harvard Business Review Analytic Services to examine the challenges that service leaders are facing today and to discover critical capabilities that are needed to transform customer service from an activity to a dynamic process that delivers the outcomes that customers expect.

I encourage you to read this report and compare your organization's customer service operations with those of the respondents.

At SAP, we help companies of all sizes run their business profitably, adapt continuously, and grow sustainably. We hope the findings in this report help you in your journey to value-driven servicing.

Nitin Badjatia

Head, Product Marketing and Solutions Management

SAP Sales Cloud

SAP Service Cloud

Changes Ahead for B2B Customer Service in a Digitally Driven World

The game is changing for business-to-business (B2B) customer service organizations. Not only are B2B companies increasingly looking to customer service for growing revenue and brand value, but business customers themselves are also becoming more demanding and their issues are becoming more complex—especially following the recent and ongoing global supply chain disruptions and the emergence of more intelligent product and service offerings.

Then there's the influx of digital-native customers and employees into the workforce, greater numbers of customer service agents working remotely, the rapid shift to digital-first experiences in the past two years, more intelligent B2B offerings that are sold as a service, and businesses everywhere expecting—and needing—fast resolutions to often urgent issues. These urgent issues could range from sudden and elongated component shortages to software or equipment outages that impact business continuity. With all these changes, the expectations for B2B customer service are much higher than they were just a short time ago.

"Traditionally, great B2B customer service was about meeting service-level agreements, but that isn't enough to create delighted customers," says Maureen Burns, a senior partner at global consulting firm Bain & Co. "There's more competition, and a lot of B2B companies' path to growth is about getting more value out of existing customers. You can't do that when they're having a poor client experience."

Most B2B customer service organizations, however, seem to be in the middle or early stages of making a pivot. In a May 2022 survey by Harvard Business Review Analytic Services of 253 respondents from the *Harvard Business Review*

HIGHLIGHTS

94% of survey respondents say **customer service** is a critical aspect of **driving brand value**.

78% say **customer expectations have changed moderately or significantly** over the past two years.

58% say their organization is **satisfied** with the **customer service it provides**.

Due to rounding, some figures in this report may not add up to 100%.

"There's more competition, and a lot of B2B companies' path to growth is about getting more value out of existing customers. You can't do that when they're having a poor client experience," says Maureen Burns, a senior partner at Bain & Co.

audience, the vast majority (more than 90%) agree that B2B customer service is critical to driving business success when it comes to enabling revenue growth, brand value, and a strong customer experience.

However, far fewer respondents—not even three out of five—say their organization is satisfied with the level of customer service they provide, and within that group, only 10% strongly agree they're satisfied. In fact, in the very areas of service they name as very important—such as cross-department collaboration and easy access to relevant and contextual customer data—there is a gap in organizations' abilities to actually deliver in those areas.

B2B customer service organizations know change is needed to meet both their own service standards and new customer expectations. "The biggest pressure is keeping up with the digital transformation that's shifting B2B into a far more digital-first posture as opposed to the traditional selling-buying-owning posture," says Liz Miller, vice president and principal analyst at technology research and advisory firm Constellation Research Inc. in Silicon Valley. "Especially when you talk about anything that comes as a service or subscription, you're likely engaging with the organization in a far more digital manner than you were before as a B2B customer."

This report focuses on the increased demands being placed on B2B customer service organizations and the top pain points for customer service agents. It also identifies the key investments B2B customer service organizations plan to make into technologies and process change as well as the challenges they face in implementing these changes, particularly with growing expectations of digital-native employees and customers for a more seamless experience and emerging subscription-based business model products.

High Value, Mediocre Performance

There is little doubt among B2B organizations that good customer service is good business. The link between customer service and business goals is especially important for B2B companies moving to subscription-based business models that enable recurring revenue for anything from software to heavy manufacturing equipment. Because these models rely on customer renewals, "we're starting to see more companies doing data correlations to really understand the impact of support and customer service on long-term account health," says John Ragsdale, distinguished researcher and vice president of technology ecosystems at the San Diego, Calif.-based research and advisory firm Technology & Services Industry Association (TSIA). "And now, the data is showing that the higher customer satisfaction is, the higher the renewal rate is. That's putting more visibility on how strategic support really is."

Even for those that haven't made this business model shift, "customers are expecting a lot more omnichannel and innovative options for support, so executives now understand—often for the very first time—the critical revenue implications of not funding that experience," Ragsdale says.

Nearly all survey respondents agree that customer service is critical to delivering a strong customer experience (95%) and driving both brand value (94%) and revenue (92%), and more than 70% of respondents strongly agree with these assertions.

Clearly, though, there's a gap between the stated strategic importance of B2B customer service and companies' ability to deliver it. Only 58% of respondents say their organization is satisfied with the customer service it provides, and of that group, only 10% strongly agree with this assertion.

One reason for this gap could be the relatively low levels of investment and innovation B2B customer service has seen historically. "If you were to look at the cycle of sales, marketing, and service, the service organization in most businesses generally, and absolutely in B2B organizations, doesn't get a lot of investment," says Donna Fluss, founder and president of DMG Consulting LLC in West Orange, N.J. "It's ripe for some innovation, both operationally as well as technically. They really are the shoemakers' kids without shoes."

Customer Expectations on the Rise

With customer expectations on the rise, the pressure for change is growing. Business customers accustomed to the fast action and seamless experience of their consumer apps and smartphones are increasingly critical of delays and clunky experiences in their business encounters and transactions. And just as customer expectations are growing for a more digitally oriented B2B sales experience, the same is true for B2B customer service.

According to the survey, 78% of respondents say customer expectations have changed to a notable extent over the past two years, and of that group, 42% note significant change. Businesses' own responses to those changes, however, have been less urgent, with just 66% saying their approach to customer service has changed to a notable extent (33% significantly) in the same time frame.

The biggest customer demands cited by respondents include higher expectations of their overall service experience (58%), faster issue resolution (58%), and more personalization in two areas: having agents know their customer details during an interaction (41%) and receiving personalized product/service recommendations from agents (40%). **FIGURE 1**

And it's not just customers who expect the organization to know exactly who they are and the part of the business they represent; "it's also the agents themselves who are thinking, 'I can answer this question if I can only get through these seven different screens,'" Constellation Research Inc.'s Miller says. "It's about the customer service agent having just as robust, personalized, and digital capabilities as the customer expects."

Seventy-eight percent of respondents say customer expectations have changed to a notable extent over the past two years, and of that group, 42% note significant change.

FIGURE 1

Growing Customer Demands

Top customer demands include faster issue resolution and a more personalized experience

In which of the following ways have your customers' expectations of customer service changed over the past two years? [SELECT ALL THAT APPLY]

Source: Harvard Business Review Analytic Services survey, May 2022

Obtaining a full view of the customer, DMG Consulting's Fluss says, has been the holy grail of customer relationship management for decades, but it's difficult to achieve because information is often filed away in different and unconnected systems. At some companies, including many manufacturers, customer service agents may only have access to the billing system. "They may know what the customer is being billed for, but then they have to run around and put together the rest of the story," she says.

"We're continuing to see data completely siloed," Ragsdale agrees. "Even within support, we've got a chat conversation in one system, an email conversation in another, and a phone conversation in another—even these aren't pulled together in one place." While the technology exists to integrate this data, the siloed mentality at many companies makes it difficult to do. "Integration is required to tie together all the different systems, but everyone wants to protect their own data," he says.

Hitting Agent Pain Points

These customer demands are hitting right where respondents say their biggest customer service pain points are. For instance, while customers want faster and more personalized service, the top frustration in their customer service efforts, according to survey respondents, is having to dig for relevant customer data in multiple systems (47%) or hunt it down by asking colleagues in other business functions (43%). **FIGURE 2**

These disconnects between data systems also explain a top pain point for both customers and service agents: long issue resolution times. Fifty-eight percent of respondents say customers increasingly want faster resolution times, and 45% say a difficulty their customer service function has is that issues take too long to resolve.

FIGURE 2

Top Frustrations for Customer Service Agents

Disconnected systems, long resolution times, and difficulty accessing information top the list

Which of the following difficulties does your organization currently experience in its customer service efforts? [SELECT ALL THAT APPLY]

Source: Harvard Business Review Analytic Services survey, May 2022

"There's pressure to be as agile as a fast-moving, low-cost business even when you're selling a long lead time, long sales cycle, complex product," Miller says.

Issue resolution times could grow even longer with increased issue complexity—another top pain point for agents named by 46% of respondents. Not only are B2B products themselves becoming more complex as they incorporate more intelligent features to operate more efficiently and effectively, but the supply chain issues exacerbated by the pandemic are also increasing issue complexity.

To address these challenges, service agents are often called upon to coordinate with and obtain input from many other business functions, including manufacturing, finance, shipping, logistics, and software developers, as well as to check inventory status. But the connections between these functions are not always seamless.

While the technology exists to integrate this data, the siloed mentality at many companies makes it difficult to do. "Integration is required to tie together all the different systems, but everyone wants to protect their own data," says John Ragsdale, distinguished researcher and vice president of technology ecosystems at Technology & Services Industry Association.

"Someone might call and say they ordered 10 items but only received two. The service person is literally sitting in the middle and ultimately might find out it's because a particular part is on a ship sitting in Newark and not even scheduled to dock for another two months," Fluss says.

The good news is a majority of respondents believe their current customer service efforts help reduce churn (77%) and increase customer lifetime value (78%). Further, 69% agree that agents always resolve customer inquiries to the customer's satisfaction (although a notably smaller group, 20%, strongly agree).

The question, once again, is how long it takes to achieve that satisfaction. In the survey, 57% say resolution is done quickly, within a single interaction most of the time, and a smaller percentage, 19%, strongly agree. Complex customer issues seem to contribute to the problem, as nearly half of respondents (47%) disagree with the statement "Agents resolve unique or rare customer inquiries with ease."

The need to shrink resolution times makes front-to-back office connection imperative, as that connection would bring cross-departmental processes and data together in a service context. "The angriest calls are when it's something to do with delays in the supply chain," Miller says. "Wouldn't it be great if customer service knew earlier on about these delays and could proactively reach out to the customer? That's where the B2B large enterprise dynamic doesn't get attention."

More often than not, the agent who receives the call has few tools at their disposal other than to escalate the issue or

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reach out to someone they happen to know in the supply chain function. "That's not how a modern digital-first enterprise should look," Miller says.

The Gap between Importance and Implementation

The need for process and technology change is becoming increasingly clear, particularly to customer service managers and agents who experience the frustration of legacy tools directly. Both agents and managers know how vital it is to quickly access needed information and take fast action, as well as the repercussions of failing to do so. However, many organizations have yet to implement the very capabilities that are most important to delivering a strong customer experience.

In the survey, respondents were asked to rate a list of capabilities in terms of their importance to having successful customer service as well as their ability to deliver on them. The most important areas they listed are collaboration with other departments (86%), seamless support for customers across all channels (81%), effective and easy-to-use customer service tools/tech (81%), and customer service agents having easy access to all relevant and contextual customer data (80%). **FIGURE 3**

And yet, when it comes to delivering on these very important areas, implementation is behind on every one of the top areas, sometimes by as many as 46 percentage points. In fact, the gaps between stated importance and implementation are greatest for the second and third highest priorities—seamless omnichannel support and effective service tools/tech—where the gaps are 44 percentage points and 46 percentage points, respectively.

"Delivering an outstanding customer experience is absolutely the goal," Fluss says. "But on the B2B side, the emphasis has been more on sales and revenue generation than the quality of experience. So it's good that these organizations are taking a step back and saying, 'Hmm, maybe we need to do something here.'"

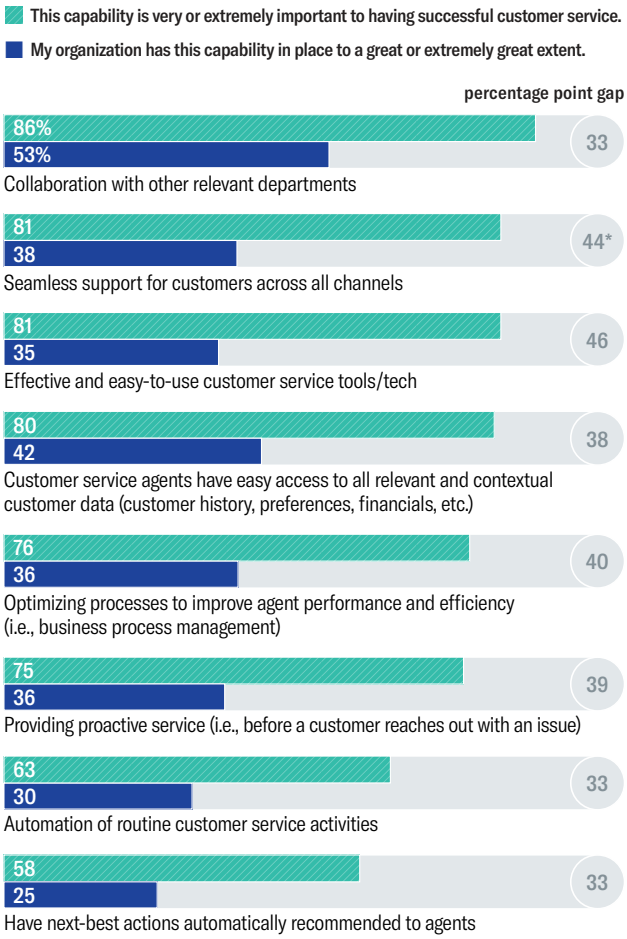
Investment plans, however, point the way forward. Respondents were shown the same list of capabilities and

FIGURE 3

Gaps in Key Customer Service Capabilities

Respondents report gaps between the importance of customer service capabilities and their ability to deliver on them

Rate how important each of the following capabilities is to having successful customer service, and the extent to which your organization has each of the following in place today.



***Difference based on unrounded percentages.**

Source: Harvard Business Review Analytic Services survey, May 2022

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asked whether their organization planned to increase or decrease investment in each area over the next two years. For each of the top capabilities named (cross-department collaboration, seamless omnichannel support, easy-to-use customer service tools, and easy access to customer data), more than half of respondents say their organization will increase investment. **FIGURE 4**

Of particular note, 68% are increasing their investment in effective and easy-to-use customer service tools, and 62% are investing in easy access to relevant/contextual customer data, both of which are among the top four areas named as important to delivering successful customer service. An area seeing increased investment that was not listed among respondents' four most important capabilities is process optimization, including the use of business process management (BPM), which was named by 66% of respondents.

With BPM, organizations can identify the best practices of high-performing agents and then model those behaviors, processes, and workflows through automated processes so other agents can engage in them. BPM can also help customer service organizations identify critical gaps to ensure service agents have the right information and toolsets available to them to resolve complex issues. "It's no longer about scripting. It's about understanding what good looks like so we can help coach and guide agents who then, in turn, guide customers so that the customers start to model what good looks [like] for the organization," Miller says.

Automation—often driven by artificial intelligence (AI)—is also on the list, named by 61% of respondents. The term "automation" can refer to a range of technologies, from basic "bot" capabilities, such as pre-populating forms and resetting passwords, to more sophisticated systems, such as intelligent virtual assistants and natural language processing systems.

According to Fluss, all the customer service solutions she follows at DMG are now AI-enabled and/or built on an AI framework. The increased use of AI poses "a huge opportunity to rethink and revamp many functions in the organization, including B2B service areas," Fluss says. She estimates that 20% to 30% of B2B customer service activities could be automated, particularly low-value ones.

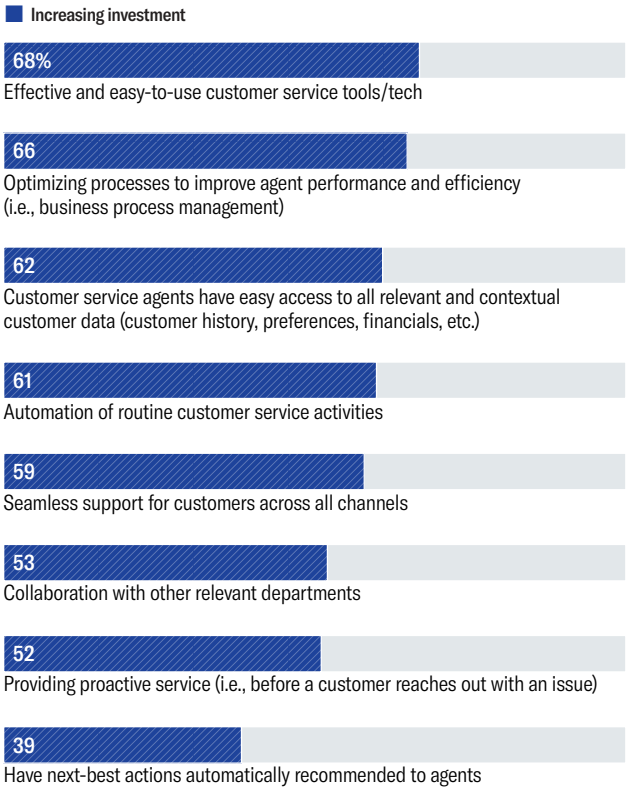
Cross-departmental collaboration—also named in the top four most important capabilities—is a bit lower on the list of investment priorities but is still named by more than half (53%) of respondents. It will be particularly essential to bring cross-departmental processes and data together to streamline issue resolution, tying together front- and back-office functionalities.

FIGURE 4

Areas of Business-to-Business Customer Service Investment

Easy-to-use tools, process optimization, data access, and automation are top investment areas

To what extent is your organization changing how much it's investing (time, budget, resources) to improve each of these areas over the next two years?



Source: Harvard Business Review Analytic Services survey, May 2022

When asked which departments should be more involved in customer service processes, the departments named by more than half of respondents include customer experience/customer success teams (62%), sales (55%), operations (54%), data/analytics teams (51%), and product teams (50%).

An area getting increased attention among technology vendors is what Ragsdale calls "swarming," also called "single tier" or "collaborative support." With this approach, one agent owns the issue from cradle to grave. Intelligent call routing ensures a customer issue goes to an agent who has successfully resolved a similar issue, and AI-driven tools prompt the agent with recommended solutions. The agent is also provided a list of experts who can help, including the developer who wrote the code, the quality assurance person who tested it, and—if the type of issue tends to get escalated—the customer success representative assigned to the customer.

Currently, 30% of B2B technology companies are using this approach, up from 20% in 2016, according to TSIA. "It ultimately lowers resolution time, boosts first-time resolution rate, and improves employee satisfaction because they're able to solve any problem," Ragsdale says. "And when employee satisfaction goes up, so does customer satisfaction."

Investments in Action

Investments in technology and process change are taking hold in customer service and consumer care at both B2B and business-to-consumer organizations. An example of the latter is Philips Domestic Appliances, a former business of Dutch multinational conglomerate Royal Philips.

Especially with the fast shift to e-commerce during the pandemic, the role of consumer care at Philips Domestic Appliances has become focused on engagement throughout the entire consumer life cycle and adding value. Therefore, consumer service representatives ideally have a great understanding of the consumer, from the types of products they've researched, purchased, exchanged, or had serviced to their demographics and any social media activity they've engaged in, such as raising an issue on Twitter.

"The key challenge for every company is to engage with consumers throughout the consumer journey in a meaningful way," explains Tandogan Akbıyıkoğulları, global director of consumer engagement at Philips Domestic Appliances. "As a digital-first company, we rely on technology to recognize, select, and capture relevant information, to the extent approved by our consumers, which we then use to provide better and more personal support across our touchpoints."

By collecting data and linking it to other business systems, such as e-commerce and logistics, consumer service representatives will not just receive consumer information but will also see relevant business data that helps optimize their services for the consumer, such as the available stock of their preferred product, its estimated delivery time, and any personal discount offerings. "We don't want consumers to wait because the consumer service representative is rotating between different systems," Akbıyıkoğulları says. "Now, thanks to new technologies, our support teams feel more empowered to serve consumers effectively."

"Now that consumer service representatives are scattered and they work in a more isolated way, we need to provide them with the right information in a timely manner," says Tandogan Akbıyıkoğulları, global director of consumer engagement at Philips Domestic Appliances.

Connected systems and integrated consumer data will especially be useful now that more employees continue to work remotely post-pandemic. "Now that consumer service representatives are scattered and they work in a more isolated way, we need to provide them with the right information in a timely manner," he explains.

Especially for colleagues working remotely, AI-driven guidance to troubleshoot consumer issues is a great solution, according to Akbıyıkoğulları. Rather than relying on FAQs and other search-based approaches, the system guides them in the right direction by asking questions. "Instead of looking for answers in the back end, AI will support consumer care representatives in a more targeted and constructive way, which is a must in an era when consumer relationships are key for companies to be successful," Akbıyıkoğulları says.

Such investments "open up very different strategies for customer engagement," Miller says. "It's not about call deflections or bringing down costs. It's about elevating agents to be experts by giving them all the tools—intelligence, content, engagement solutions, and collaboration—they need so they can always be in lockstep with the context of the customer."

While many respondents also believe more advanced capabilities such as providing proactive service and next-best actions are important for delivering good customer service (75% and 58%, respectively), these capabilities are at the bottom of the list when it comes to the percentage

"We're seeing the same behaviors that started on the personal side begin to transfer to what takes place from a business perspective. Businesses have to use the formats and channels that their customers and prospects are starting to use," says Brent Leary, cofounder and partner of CRM Essentials Inc.

of respondents planning to invest in them (52% and 39%, respectively).

These capabilities will likely become more important, however, as expectations continue to rise among digital-native customers for an excellent service experience (cited by 84% of respondents) and digital-native customer service employees, who increasingly expect automated and digitized work processes (85%).

As Miller points out, customers will increasingly expect high-touch, white-glove service without ever needing to initiate the session. For example, AI-driven analysis could determine the reason for a sudden influx of negative-sentiment calls and could trigger customer service agents to proactively alert customers to the problem, as well as steps to rectify it. Agents could also notify other relevant business functions—such as marketing or even product engineering—so they can remedy the situation on their end.

Digital-native customers and agents will also expect a more omnichannel experience. TSIA's annual channel preference study reveals a growing preference for digital channels of service, Ragsdale says. In some South American countries, he says, 90% of people surveyed say they prefer or occasionally use WhatsApp for product support—more than for any other channel. "We're seeing a lot more focus on digital channels as younger people move higher into executive ranks," he says. "They're forcing some of this cultural change within companies that really should have happened a decade ago."

"We're seeing the same behaviors that started on the personal side begin to transfer to what takes place from a business perspective," agrees Brent Leary, cofounder and partner of Atlanta-based consulting and advisory firm CRM Essentials Inc. Such behaviors include turning to social networks, such as YouTube and TikTok, for service information before initiating a call or email to customer service. "Businesses have to use the formats and channels that their customers and prospects are starting to use."

Additionally, digital-native agents have also come to expect easy-to-use tools that empower them with knowledge, especially those who work remotely. Leary points to AI-driven virtual assistants that pore through interaction data to recommend next-best actions. "These allow agents to get the best information available at that particular moment," he says. "It's like a two-person team that allows the agent to stay focused on the customer and have more empathy while the bot does the heavy lifting of finding the best answer."

Moving Forward into a Strategic Role

To meet the new expectations of customers and service agents—and shift into a more strategic role in the business by driving revenue and brand value—B2B customer service organizations will need to overcome legacy mindsets, such as focusing only on cost of service versus more strategic endeavors and being wary of sharing data among business functions.

Even if there was a better spirit of cooperation, unifying data is a complex endeavor. "It's about creating data strategies and having those hard conversations with IT, data science, service, [and] sales, getting everyone around the table to say 'Yes, these are the places where the customer experience could be markedly improved, and if we had these connections, it would be amazing,'" Miller says.

In the end, B2B customer service organizations "need to understand it's not business as usual," Fluss says. "They have to look at what they're doing through the eyes of customers and totally transform … to where they should be going in an AI-enabled world."

CRM Essentials Inc.'s Leary agrees. "Companies have less of an option to operate how they used to," he says. "If you really want to have customers with long-lasting relationships and create a better experience for them, you're going to have to do things differently and create more engagement with customers beyond them paying you for the products or services you have."

METHODOLOGY AND PARTICIPANT PROFILE

A total of 253 respondents drawn from the HBR audience of readers (magazine/ e-newsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

24%
10,000 or more employees

28%
1,000–9,999 employees

9%
500–999 employees

39%
50–499 employees

0%
Fewer than 50

Seniority

30%
Executive management/ board members

43%
Senior management

18%
Middle management

9%
Other grades

Key Industry Sector

19%
Technology

16%
Manufacturing

9%
Consulting services

9%
Financial services

All other sectors, less than 8% each.

Job Function

23%
General/executive management

20%
Sales/business development/ customer service

All other functions, less than 8% each.

Region

39%
North America

27%
Europe

18%
Asia Pacific

10%
Middle East/Africa

5%
Latin America

1%
Other

Figures may not add up to 100% due to rounding.

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