Gartner for Customer Service and Support

Beyond Resolution: Maximize Customer Value Through Service and Support

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Many organizations fail to maximize the sizable growth opportunity inherent in existing customers. Customer service and support leaders must reorient their organizations from a primary focus on issue resolution to a focus on delivering value to capitalize on this opportunity.

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Overview

Key findings

- Existing customers are the largest revenue source for organizations, contributing 65% of the total revenue through retention and growth.
- While organizations initially attract customers with their value proposition, customers renew and expand their relationships based on the actual value they realize. Unfortunately, many organizations face a gap between their value proposition and the value customers truly experience, leading to potential financial risk.
- Historically, service and support organizations have focused on a narrow aspect of value realization — issue resolution. However, there is a much more significant role for service and support to play in enhancing overall customer value realization.

Recommendations

- Use the organization's value proposition to understand why customers buy your product, how customers achieve value with your products and services, and what goes into making a successful customer for your organization.
- Reorient the customer service and support charter by focusing primarily on the delivery of value, with a secondary focus on complex issue resolution.
- Close the value gap by designing a value exchange that details the steps customers must take on their path to realize value, how the organization will enable and guide these customers, and how the organization will monitor, measure and manage the customer's progress.
- Lay the foundation for your value exchange by addressing and overcoming the three most prevalent barriers to entry.

Introduction

In our foundational research, Three Key Pillars to Reimagine Customer Service and Support, we introduced a new philosophical approach to service delivery, which includes a shift from managing customer demand for service to creating customer value. This new approach leverages three pillars to remove value-eroding interactions, redistribute routine interactions to self-service and restructure the organization. The result is an organization equipped to manage complex interactions and prepared to expand its role in delivering customer value.

As organizations increase their reliance on existing customers to achieve their financial goals, the need to ensure customers realize value is critical. While organizations initially attract customers with a compelling value proposition, many fail to ensure that customers realize this promised value. This gap between the value proposition and actual customer value realization poses a significant financial risk to the organization. An estimated 65% of an organization's revenue comes from existing customers in the form of retained revenue and growth.[1]

Additionally, there is often no single owner responsible for ensuring that customers achieve the promised value. Customer service and support functions, which have traditionally focused on issue resolution, are not prepared to bridge this gap — at least not as currently designed.

Should customer service and support rethink their role and take a more active part in helping their organizations deliver on their value proposition and customers to realize value?

Absolutely. The purpose of this research is to provide a structured approach to guide customer service and support leaders to transform their organizations. Rather than focusing on issue resolution, customer service and support must center their organization around the creation and delivery of customer value. This transformation starts with an evolution from a resolution-based mindset optimized for efficiency to an outcome-based mindset optimized for value. The focus of this role requires building a value bridge to close the value gap, connecting the value proposition to customer value realization.

Analysis

Customer service and support has historically played a very narrow role in helping customers realize value, specifically through the issue resolution process. And while important, this doesn't fill the void. To fill the void, organizations must think offensively and act proactively by enabling and guiding a customer to success and realizing value.

This requires the adoption of an outcome-based mindset that is deeply aligned with the organization's value proposition. It includes a thorough understanding of how customers realize and articulate value, dedication to building successful customers, and a structured approach that aligns strategy to action.

This process begins by understanding why customers buy.

Use the Organization's Value Proposition to Understand Why Your Customers Buy

Before customers show up on the service and support doorstep, they have gone through a series of steps that include researching, comparing, selecting and then buying. When your customers buy, they are officially converted from prospects into customers and eventually end up contacting service and support with a question or an issue. For many service and support organizations, this may be the first time that you become aware of them.

Why do customers buy from your organization? What compels them to become customers? Do these characteristics factor into how you currently service and support them or design the postsales experience?

Customers buy because of your company's unique value proposition, which promises customers that your products and services can provide the benefits they need. In many ways, customers are taking a leap of faith because the realization of the value proposition is not guaranteed.

A company's value proposition consists of three core elements as described in Figure 1. These elements include:

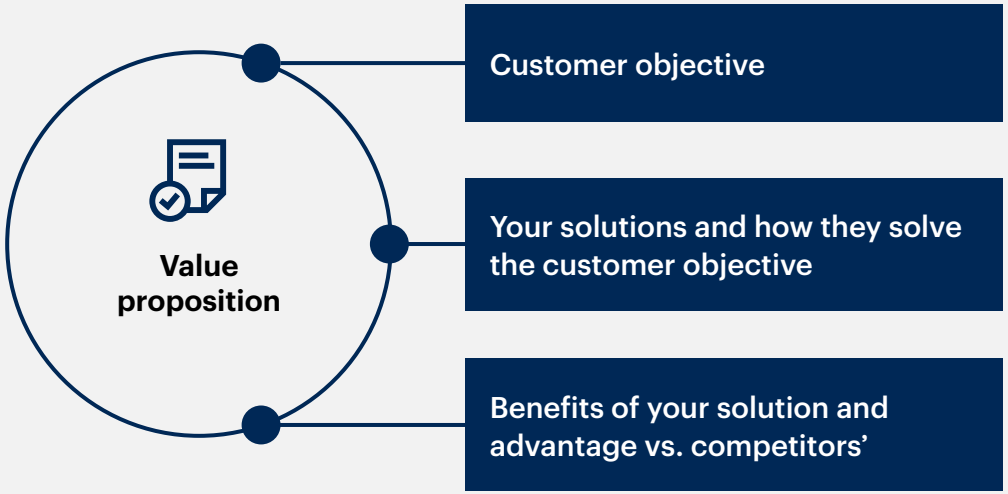
- What objective is the customer trying to achieve?
- How do your products and services solve the customer challenge?
- What are the benefits of your products and services? How are they differentiated from your competitors'?

The value proposition serves as the first anchor point for developing the new vision and primary focus of customer service and support.

Customer service and support leaders should first ensure that they and their teams thoroughly understand their company's value proposition by answering the following questions:

- What customer objectives, goals or challenges does our product(s)/service(s) solve?
- How do our product(s)/service(s) solve these objectives, goals and challenges?
- What benefits (quantifiable) do our product(s)/service(s) convey to customers?
- How is what we provide differentiated from our competition?

Figure 1: The Organization's Value Proposition



Source: Gartner

Recognize the Different Ways Customers Realize Value

Customer value realization serves as the second anchor point for reorienting the organization around driving customer value. Customers can realize value from their purchases in different ways, as shown in Figure 2. For example, value is realized in a B2C environment when the customers' purchase intent was satisfied or they feel validated that they have made the right purchase decision.

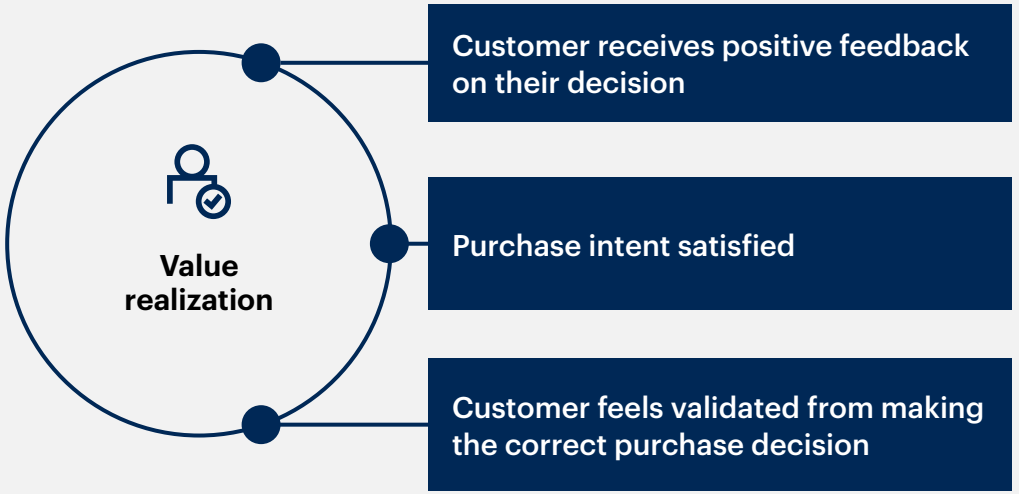
In B2B environments, value realization tends to be different. Customers realize value when their business objectives have been met, they have achieved an ROI, or they have received feedback from users that the product or service is helping, supporting or improving their day-to-day work activities.

The key to building loyal customers that will stay, buy more and advocate on your behalf is to ensure that they have realized value from your products and services. Historically, companies have left this process to chance, and service and support has played little to no role in actively enabling and guiding this process for customers.

Customer service and support leaders should ensure that they and their teams thoroughly understand how customers realize value by answering the following questions:

- What value do our product(s)/service(s) convey to customers?
- How do customers think about, articulate and/or measure that value?
- How do we know when the customer's purchase intent is satisfied?

Figure 2: Value Realization

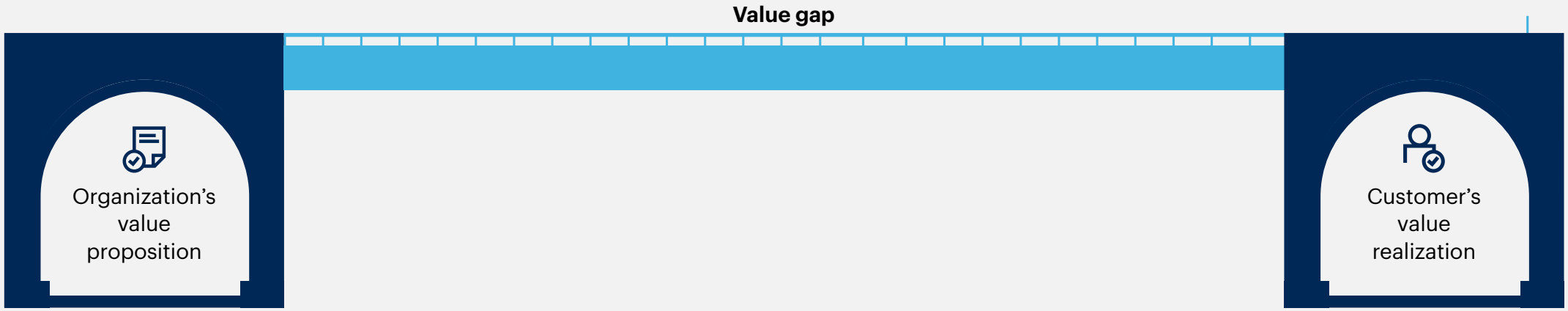


Source: Gartner

The Value Gap

A “value gap” naturally exists between the organization’s value proposition and the customer realizing value (see Figure 3). The value gap exists because your company’s value proposition isn’t automatically realized by customers. Customers must go through a series of steps that build off of one another, beginning with the transition from a prospect in the buying cycle to a customer in the owning cycle.

Figure 3: The Value Gap
Illustrative



A “value gap” naturally exists between the organization’s value proposition and the customer realizing value.

Source: Gartner

Once a prospect becomes a customer, those processes include onboarding, learning, building proficiency, adopting and then realizing value.

Historically, service and support organizations have not taken an active role in closing the value gap due to:

- **Lack of awareness:** Many organizations are unaware that a value gap exists, and assume that when a customer makes a purchase, they will be able to realize value on their own because the path to value is self-evident. In reality, the purchase point is where the critical work begins.
- **Lack of ownership:** In some cases, when an organization does realize that a gap is present, there exists no functional nor cross-functional ownership of closing the value gap. Many organizations are left with the question, "Whose job is it?" The job of closing the value gap is unfortunately left to the customer to close.
- **Lack of alignment:** In some cases, when an organization does realize that a gap is present, a lack of coordination exists among teams in activities required to close the value gap. The activities required to close the value gap are purposefully sequenced, and require anchoring to the organization's value proposition and how customers realize value.

The value gap will vary for each organization, as it is impacted by a number of factors including:

- The complexity of the products and services
- The organization's business model
- The inherent traits of the market and its customers
- The maturity level of the organization and its processes

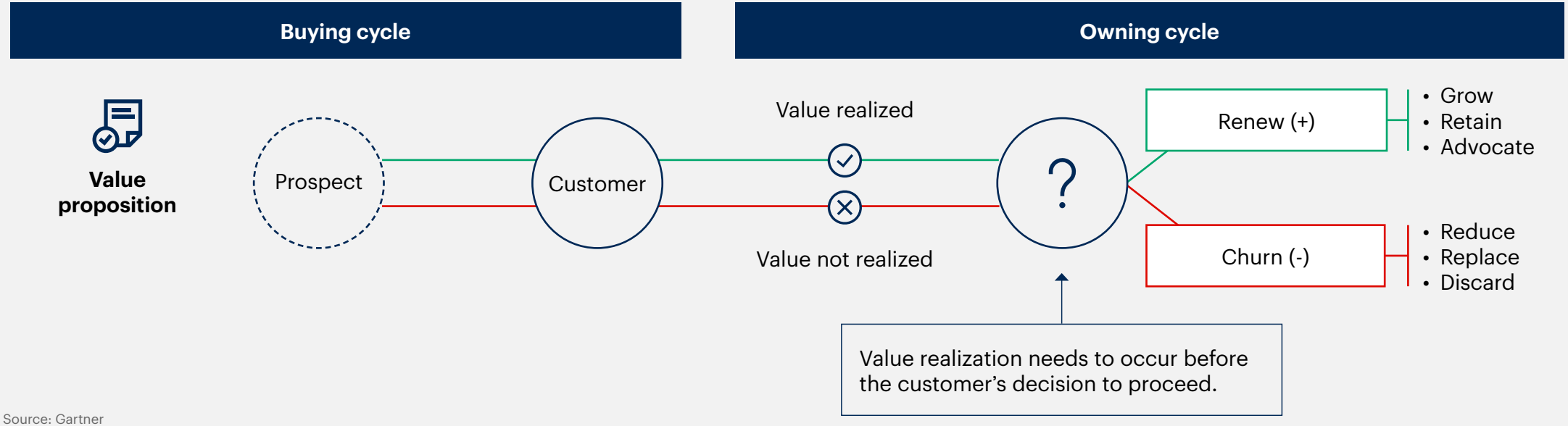
All of these variables combined contribute to both the size of the value gap in terms of steps to close and the time it takes customers to realize value.

With an understanding of the value gap and why it exists, we are left with a key question: "What is the economic value of closing the value gap for the company?"

Economics of Closing the Value Gap

The economic impact of the customer life cycle and the importance of closing the value gap is illustrated in Figure 4. A prospect sees something compelling in an organization's value proposition and decides to become a customer. The owning cycle is where the company's value proposition comes to life.

Figure 4: Value Gap Economics



Source: Gartner

In the owning cycle, customers onboard and use and get help when something goes wrong. At a point in the owning cycle, the customer makes a decision: “Should I stay with the company or go with one of its competitors?” This decision has significant financial consequences for the organization and is largely driven by whether or not the customer received value and realized their initial purchase intent.

If the customer has realized their purchase intent, the customer renews their relationship with the company, with an increased likelihood of buying more, staying and advocating. If the customer has not received value and their purchase intent has not been realized, there is an increased likelihood of them leaving, reducing, replacing or discarding the company’s products and services altogether.

The financial health of the organization is at stake with every customer decision. How much is at stake? Consider these statistics:

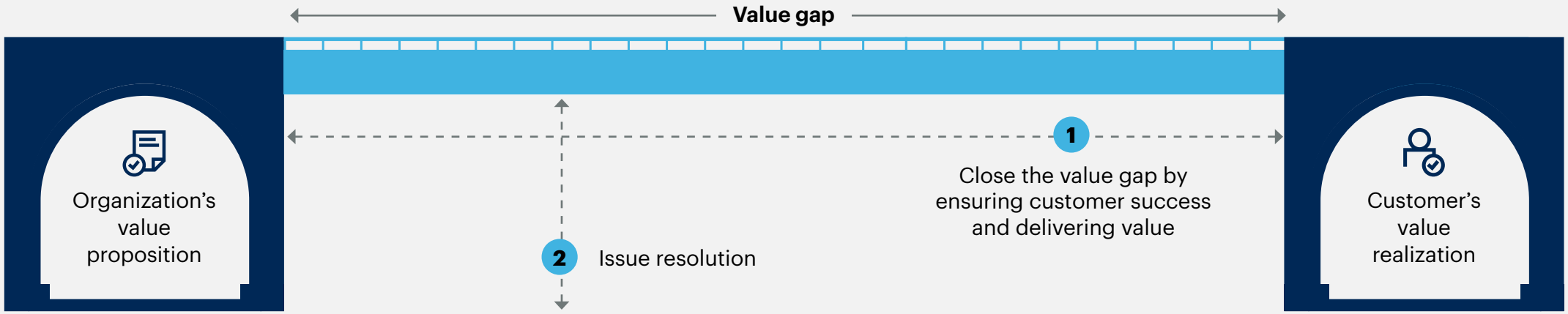
- On average across industries, 75.5% of a company’s customers are retained each year. [2]
- A 5% increase in customer retention can impact company profits by as much as 25% – 95%. [3]
- Companies have a 60% – 70% chance of selling to an existing customer versus a 5% – 20% chance of selling to a new customer. [4]
- Eighty-two percent of consumers proactively seek referrals from their peers prior to making a purchase decision, and customer advocates are 50% more likely to influence a purchase decision. [5]

Closing the Value Gap: A Role for Service and Support Beyond Issue Resolution

Service and support leaders must evolve beyond a largely defensive posture of issue resolution, and adopt an additional approach that reorients the primary focus of service and support to helping customers close the value gap by proactively guiding them to achieve value. The future customer service and support organization must be prepared to excel at both complex issue resolution and proactive value delivery (see Figure 5).

Organizations that make the choice to shift their primary focus to delivering customer value will be required to develop the expertise to bridge the value gap. To achieve this, service and support leaders must understand the customer's purchase intent or business objective, how they realize value, and develop the methodology to create and manage the value exchange.

Figure 5: Two Roles for Customer Service and Support
Illustrative



Service and support leaders must evolve beyond just issue resolution and reorient the primary focus to helping customers close the value gap.

Source: Gartner

Design a Value Exchange to Bridge the Value Gap

The value exchange is the "bridge" between the organization's value proposition and the customer's value realization. It consists of the steps a customer goes through to realize value from your products and services and how the organization enables, guides, manages, measures and monitors these steps. There is an "exchange" between the customer and the organization that ultimately culminates in realized value for the customer, and retention and growth outcomes for the organization.

The value exchange is designed and built by the organization around a key question: What makes a successful customer?

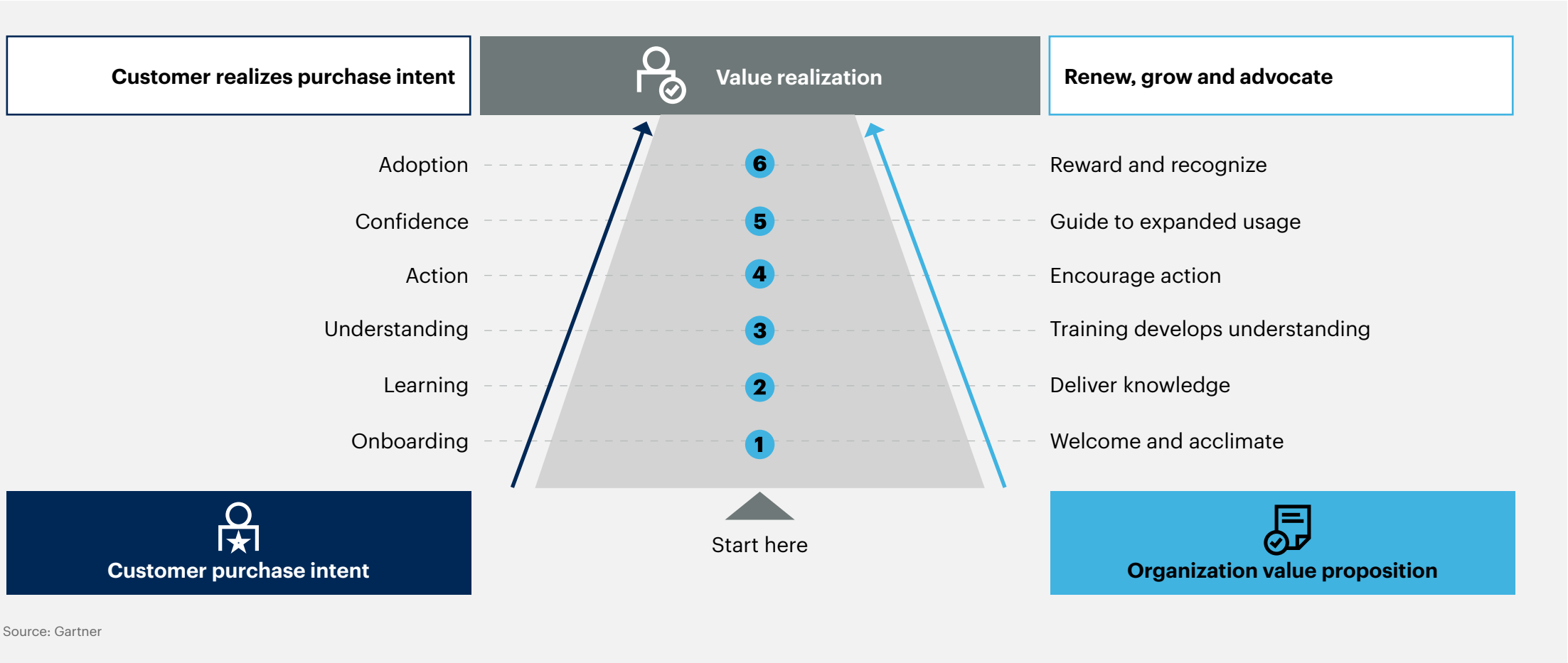
Every organization's value exchange may look a little different based on the complexity of their products and the nature of their services, customers and markets. For example, some B2B organizations' value exchanges may take many weeks or months to execute, while other B2C organizations may take hours or days to execute.

Regardless of how long or short the value exchange is, the key point is that there are steps a customer must go through to realize value, and an exchange must occur between the organization and the customer to enable this.

Figure 6 details the value exchange. It consists of two perspectives:

- **Customer perspective:** "What do I need to do to realize my business objectives, purchase intent and value from the organization's products and services?" Validate and confirm with the customer that their needs are being met.
- **Organization perspective:** "What do we need to do to enable and guide customers to value and how do we monitor, measure and manage this process?" This approach needs to be applied at an individual level, with an understanding of what each individual is trying to accomplish with the organization's products and services.

Figure 6: The Value Exchange
Illustrative



Source: Gartner

Value Exchange Customer Perspective

The customer perspective detailed in Figure 6 begins on the bottom left side with the customer business objective or purchase intent, and works its way up to the top of Figure 6 with the customer realizing value. The process the customer goes through to realize their purchase intent includes:

- **Onboarding:** The customer enters the owning cycle with a formal introduction and acclimation to your products and services.
- **Learning:** The customer leverages sources of knowledge to learn more about how your products and services work.
- **Understanding:** The customer converts learning into understanding through access to knowledge, engagement in the community and access to company resources.
- **Action:** The customer converts understanding into action by using products and services in pursuit of their business objective or purchase intent.
- **Building proficiency:** The customer builds confidence in how to use your products and services and begins to use your product more, increasing their level of proficiency. The customer may even look for new uses of your product or adjacent products and services as complements.
- **Adopting:** The customer converts proficiency and confidence into adoption, using the product or service to its fullest or intended capacity, fully integrating it into their daily lives and business processes. This process culminates in the realization of the customer's business objective, purchase intent and value.

Value Exchange Company Perspective

The company perspective detailed in Figure 6 begins on the bottom right side with the company's value proposition, which matches the customer's business objective or purchase intent. The value exchange process is designed and architected by the company to facilitate the customer's progression from purchase intent to value realization, matching the customer's steps and includes the following:

- **Welcome aboard:** The first step is to proactively welcome and acclimate the customer around the company, products and services that they've purchased and what they can expect. For some organizations, a simple welcome letter and setup instructions are enough. For others, this step may include a welcome, resources to guide the customer, training and implementation of your product.
- **Set up initial learning:** Initial learning continues the customer acclimation process and is focused on a subset of knowledge that is individualized, contextual, relevant and timely. The organization must use different channels to help the customer learn by consuming knowledge in its different formats, whether it be a knowledge article, training course or expert consultation.
- **Further develop understanding:** Personalize training and engagement based on how customers are using your products and services and their progression along the value exchange.
- **Encourage action:** Provide opportunities for customers to convert their training and understanding into action. The more action customers take, the more proficiency they develop. Proficiency develops confidence, and confidence helps customers better adopt your products and services and look for new ways to apply your products and services in their daily lives. Encouraging action can take the form of in-app nudges, providing contextualized in-product experiences, email reminders, invites to your community, social sites and events.
- **Guide to expanded usage:** Once the customer has developed proficiency and put understanding into action, the organization must continue to encourage customers to leverage additional or unused product and service capabilities, new use cases, or new products and services.
- **Reward and recognize:** Recognize and reward customer efforts through gamification, certifications, community badges, invites to select events, loyalty programs and discounts, and more.

Once customers have completed the steps in the value exchange they realize value, and this can be evidenced through:

- Renewing or continuing their relationship with the company
- Growing into new use cases, new products and new services
- Advocating and encouraging customers to share their experiences using Yelp, Google, G2, TrustRadius, participating in webinars, speaking engagements, video testimonials, case studies, references and referrals.

The adoption of a structured, guided approach to customer value realization, reorients the organization from a primary focus on issue resolution, to a primary focus on ensuring customers to realize value and achieve business outcomes.

Customer service and support leaders should continue the process by designing and building their own value exchange. This process begins with addressing the following key questions:

What makes a successful customer?

What attributes do successful customers share?

How should we onboard new customers?

What do we as a service and support organization need to do to enable that success?

Which processes, systems, data and insights do we need as an organization to effectively monitor, measure and manage the value exchange process?

Overcome Barriers to Developing a Value Approach

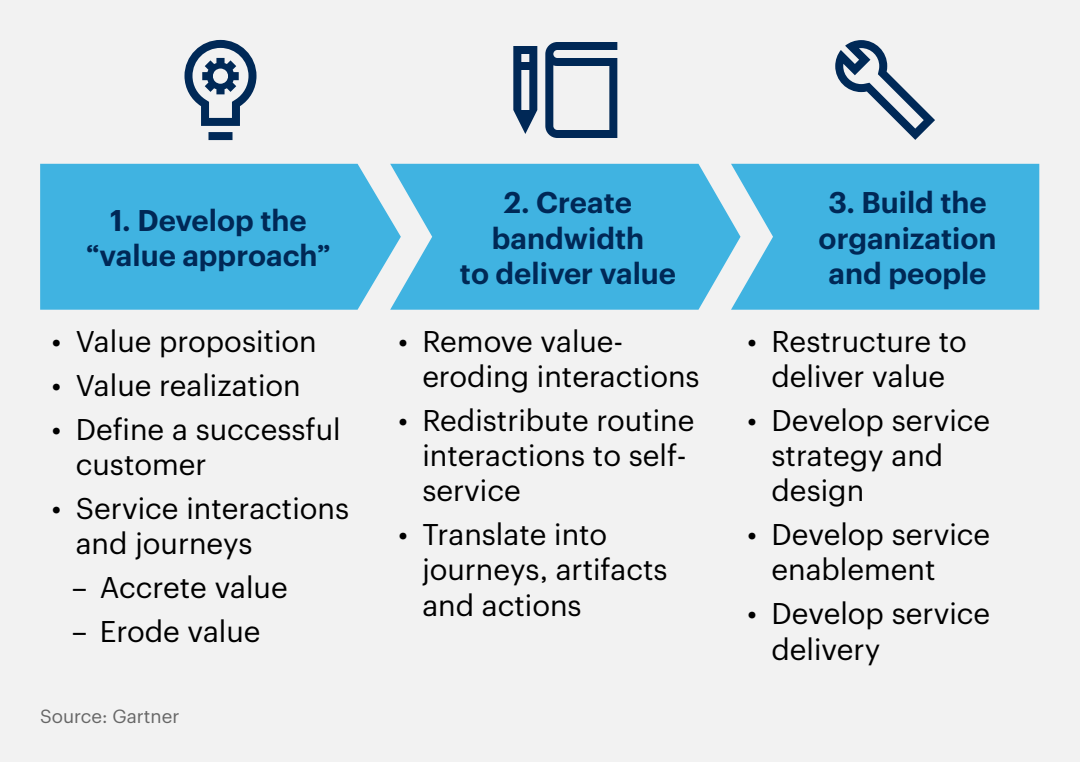
In a recent Gartner survey,[6] we asked customer service and support leaders to identify the barriers to developing a focus on providing customer value. The top answers to this question included:

- Not having the bandwidth
- Not having the know-how and expertise
- Not knowing which activities to focus on

For an approach to work, it must be pragmatic and address these real concerns. A reorientation around value requires buy-in, time, effort and investment. It first begins with developing the value approach as the world most organizations are navigating from is very different from the world that they are navigating to.

Based on the "barriers to value entry" as identified in the survey, we have developed a three-step approach (Figure 7) to getting started that addresses these concerns and aligns with the reorientation around customer value delivery. This approach includes three key steps:

Figure 7: Getting Started With Value



Source: Gartner

Step 1: Develop the Value Approach

Step 1 includes understanding your organization's value proposition, how customers realize value and what makes a successful customer. Analyze service journeys and interactions, and identify the interactions that accrete value to customers and guide them across the value gap bridge. Be on the lookout for those interactions that erode customer value and present obstacles on the customer's value realization path. See Three Key Pillars to Reimagine Customer Service and Support for more.

Step 2: Create Bandwidth to Deliver Value

Step 2 includes creating the necessary bandwidth to begin delivering value. Creating the necessary bandwidth is a result of both removing value-eroding interactions (see Reimagine Service by Permanently Removing Avoidable Interactions) and redistributing routine interaction to self-service (see Reimagine Service by Redistributing Interactions to Self-Service).

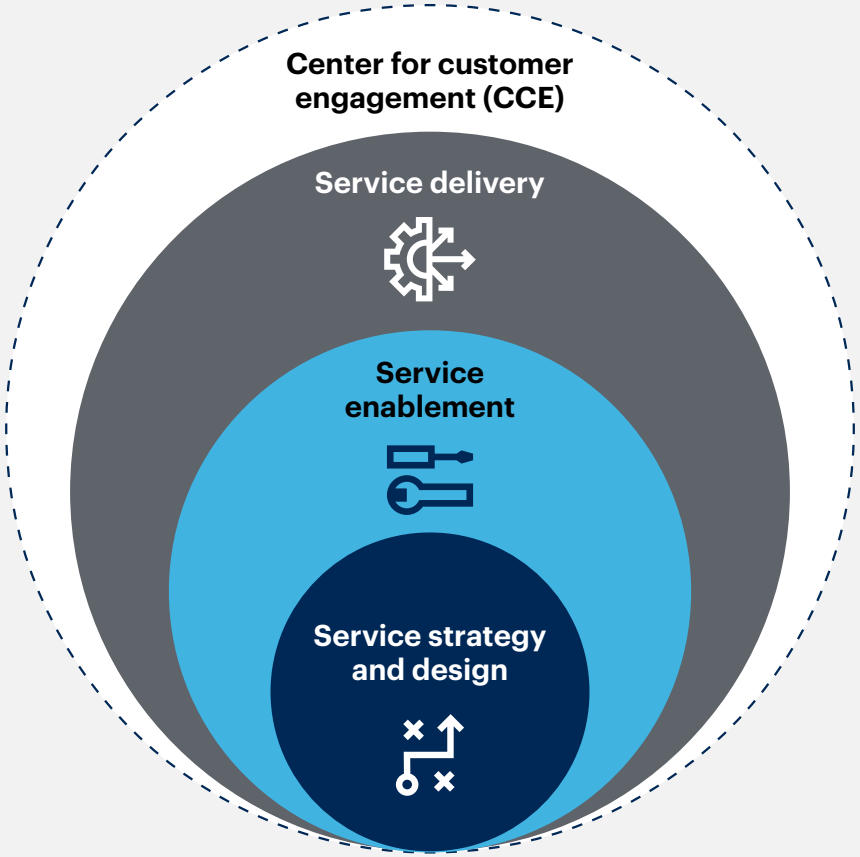
Organizations should build on the knowledge gained from Step 1 and convert that knowledge into building their own value exchange. Building the value exchange is one of the most critical activities organizations can undertake as it represents the steps customers take on their path to value, and what activities the organization will engage in to proactively enable and guide customers down the value path.

Step 3: Build the Organization and People to Create and Sustain Value Delivery

Step 3 requires a restructuring of the organizational model (see Restructure the Service Organization to Manage Complex Interactions) to support and sustain the reorientation around value. The required organizational model to support this approach is referred to as the Center for Customer Engagement (CCE) (Figure 8) and is composed of three key functions with the following responsibilities:

- **Strategy and design team:** Responsible for ensuring the organization is aligned to the organization's value proposition, the organization understands how customers realize value and the monitoring, measurement and managing of the value program.
- **Enablement team:** Responsible for identifying the artifacts customers and the organization will need to enable learning, action and building proficiency as part of the value exchange.
- **Delivery team:** Responsible for reactively and proactively engaging with customers via self and assisted service to guide the customer along the value exchange.

Figure 8: The New Operating Model — The Center for Customer Engagement



Source: Gartner

Evidence

[1] The Age of the Customer: Focus on Retention, Hoovers.

[2] Customer Retention Rate of Businesses Worldwide in 2018, by Industry, Statista.

[3] The Value of Keeping the Right Customers, Harvard Business Review.

[4] P. Harris, N. Bundle, P. Pfeifer and D. Robinson, "Marketing Metrics: The Definitive Guide to Measuring Marketing Performance," Wharton School Publishing, 2010.

[5] Numbers Don't Lie: What a 2016 Nielsen Study Revealed About Referrals, Business2Community.

[6] 2022 Gartner CSS Priorities Poll, n = 124. Q: Please rank order the following challenges in terms of difficulty in implementing these activities in your strategy.

Actionable, objective insight

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