Charging into uncertainty

The secret to thriving—and not simply surviving—in the face of a downturn is investing in human experience

If a downturn looms on the horizon, it's natural for organizations to shrink from the prospect of new investments. Travel and hospitality companies are historically among the first to feel the pinch, and during the shocks that set off the Great Recession a decade ago, cost-cutting was a common survival strategy. But the same approaches may not work as well this time. (www.deloitte.com/us/econdown)

Organizations that want to come out on the other side, not only intact but stronger, should consider a multifaceted stance: Aggressive cost-cutting measures that free up resources, combined with smart reinvestment into forward-looking human experience (HX) enhancements—including customer, workforce, and partner experience—that can unlock value down the road. Prior experience suggests hospitality companies can unlock savings of as much as 30 percent by rethinking their existing customer service approach and methods.

Why act now?

The travel industry is especially sensitive to economic slowdowns. An industry-specific slowdown is anticipated in the near future due to macroeconomic factors such as the strong dollar, softening global growth, and tensions over trade. A broader general recession, looking more likely given the duration of the current bull market, would further stress the industry.

The threat of an impending downturn amplifies how important it is for travel and hospitality companies to rethink their interactions with customers. One place to start is the contact center, which provides omni-channel customer support through voice, email, chat, text, and other channels. The industry depends greatly on customer experience and satisfaction, and most travel companies have unrealized value waiting in their contact centers right now. Let's look at some of the ways efficiency and investment can bring that value home.

Where to look for value

Many organizations view the contact center as a costly but necessary vehicle to complete transactions, support customer inquiries, and handle a myriad of other customer-related requests. This is consistent in the travel industry, where the contact center has evolved from its roots as a reservation office. Today, many travel companies segment their incoming contacts and handle them in different places by type or cost. This siloed approach builds in a layer of inefficiency, which, when removed, uncovers new contact center cost savings. Companies may want to reconsider how they address contact volume, agent efficiency, contact center technology, and location, which are among the places where companies can find savings (see next page for additional detail):

- **Volume:** "Right-channeling" directs customers to the channel best suited to a given interaction, reducing repeat or transferred calls and increasing customer satisfaction. One byproduct is that the most complex contacts will likely be routed to live agents, increasing average handle time.
- **Efficiency:** As agents address the more complex contacts not resolved via self-service or "virtual agents," investment in customer relationship management (CRM) and artificial intelligence (AI) technology—as well as new operating and service models—helps increase agent efficiency.
- **Technology:** The adoption of innovative cloud technology platforms reduces the high fixed costs of legacy systems and is well suited for the variability and seasonality of the travel industry's contact volume.
- **Location:** Given the greater agent specialization required for complex live interactions, leading companies are reevaluating contact center location and service models.

What's fortunate is that seeking savings in these areas has the dual benefit of driving cost efficiency while also increasing service levels by providing greater optionality, increased efficiency, and enhanced relevancy for customers.

Contact center optimization

Evolving contact volume

Across all industries, our 2019 Global Contact Center Survey finds most companies expect both the volume and complexity of their calls to increase over the next two years. Consumers increasingly expect the ability to interact with companies through their preferred channel, whether messaging, live text chat, email, social media, or voice. Travel and hospitality companies should continue to build an omni-channel model in which they enable and promote the digitization of contacts. However, with the increased prevalence of omnichannel options, companies are realizing the efficiency and experience benefits of "right-channeling," or directing customers to channels better suited for certain interactions. A byproduct of "right channeling" is that routine lower-value transactions are directed to self-service or other "virtual agent" solutions, while the most complex problems tend to be routed to live agents. This means that the average handle time for some contacts may in fact increase, underscoring the importance of reevaluating contact center success metrics. Increased handle time can actually be a positive, since it adds to the human connection when customers appreciate it most.

Increasing agent efficiency

Increasing the efficiency of agents is another way for organizations to unlock cost savings. While introducing and enhancing self-service automation technologies and other "virtual agent" systems often takes shorter, less complex contacts out of an agent's hands, the remaining contacts are more complex and necessitate more specialized knowledge or skills. Agents can handle these remaining contacts more efficiently through the effective use of advanced CRM systems and other technology, such as embedded knowledge management that allows agents to find information on their own. Technology enhancements, however, are not enough: According to our 2019 Global Contact Center Survey, many companies are not seeing the expected return on their sizable investment in CRM technologies. Getting the most value out of CRM solutions requires organizations to make changes to their broader operating and service models—investing in new approaches to customer service, developing standardized processes, helping each agent handle common tasks without reinventing the solution each time, and effectively deploying AI to ensure customer insights are turned into actionable solutions for agents to propose to customers.

Contact center technology

Today's leading companies are adopting innovative cloud technology platforms. In our 2019 Global Contact Center Survey, more than half of executives believe cloud is a sound technology strategy and are looking for ways to migrate legacy, on-premise technologies to the cloud. We find that these leaders are not only seeking technology improvement but also are attempting to reduce the high fixed cost of legacy systems into agile, pay-as-you-go variable cost structures. Cloud platforms also enable organizations to reduce ongoing technology costs, such as licensing costs and maintenance.

Location

Labor arbitrage remains an important area for companies to consider as a way to reduce cost. Historically, organizations have focused on moving existing work to lower-cost locations or even to third-party outsourcers, as a method to reduce cost while maintaining similar service levels. In some cases, this approach has not continued to deliver the value that most organizations demand, and leading organizations are seeking ways to continue to achieve labor savings without sacrificing experience.

As travel organizations see a shift in the contact mix, where less complex, transactional contacts are shifting to digital channels, metrics such as cost per reservation may no longer be the measure of success. Today, a simple reservation may be handled by a digital channel without the need for a customer to talk to an agent. Contacts handled by agents, however, are more complex, requiring more time and more specialized agent skill and knowledge. In this environment, companies are rethinking parts of the service model, where agents are located, what channels those agents support, as well as how these agents are managed.

Government incentives can amplify contact center savings

Companies aren't the only entities interested in stimulating economic activity as a potential recession emerges. Governments have the same aim—and many of them have incentive programs to back it up. Travel companies may find their contact centers are a fertile ground for aligning employment and training practices with government credits.

On the state level, many governments offer programs related to job creation, employee training, and capital investment. Because cross-training and technology are already among the traditional cost measures on the table, why not add to their value by getting tax credit or other rewards for taking them on?

Some states also offer programs that reward job creation, especially in rural areas or for specific groups such as military veterans:

Companies that embark on employee training initiatives may find there are public-sector grants available to help pay for them.

Capital investments, which can include digital technology, may earn companies income tax credits of up to 10 percent, while some expenditures (capital or otherwise) may earn sales tax rebates. Companies that expand their real estate footprints may find there are state or local property tax abatements or exemptions. In some cases, even if those incentives aren't already in place, they may be negotiable.

The federal government can provide incentives as well, in the form of credits against federal corporate income tax. Companies that create new jobs may earn work opportunity tax credits. There may also be tax credits available for companies or employees who work in recovering disaster areas or other designated geographies. Lastly, companies that pay employees on medical leave may find federal tax credits for those expenses as well.

Putting the savings to use: Elevating the human experience

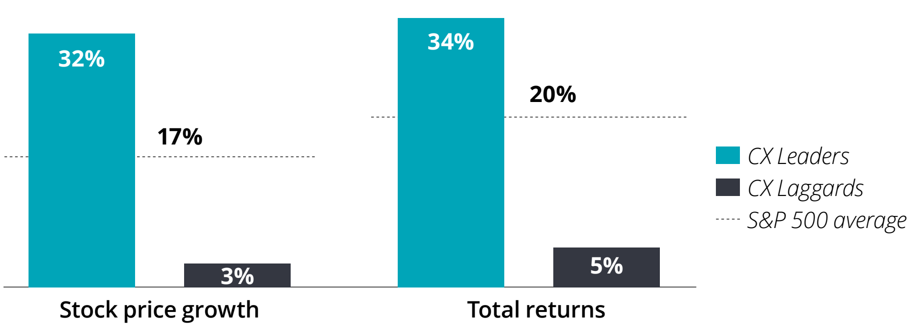
If cost saving measures create the means for investment, where should investment be directed? Investing some right back into human experience, such as through ecosystem partnerships or the technology for relevant, personal interactions with customers at scale, is a strategy that can help make the benefits last. Central to this is the knowledge that experience is a human phenomenon that can benefit from enhancements on the personal level.

Human to human

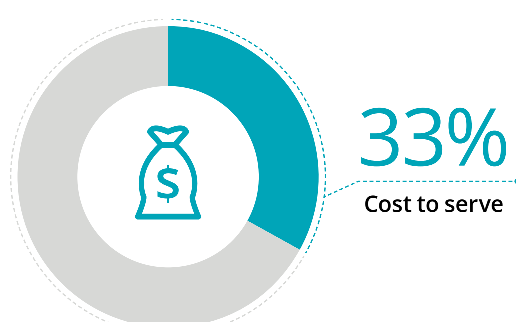
The focus on delivering a consistent experience across channels often leads to a conversation grounded in tools—standardizing and sharing data, connecting phone, online, and in-person systems so they operate in sync, and so forth. Yet, we forget it is people who make these tools matter.

Deloitte's approach to the Future of Service is built around the idea that people retain more from an experience than a product or service alone. Experience itself creates value, and great experiences can build strong, loyal connections. Shaving 10 seconds off a contact center's average handle time won't pay off in the long term if it leaves a customer dissatisfied with the outcome.

Customer experience, at the heart of human experience, helps maximize growth and profitability



Customer experience leaders outperformed laggards on both stock price growth (32% vs. 3%) and total returns (34% vs 5%) over a one-year period[1].



The cost to serve customers decreases by as much as 33% when companies deliver great experiences.[2]

Of all the investments a company can make in HX, perhaps the most vital one is free: the human connection. How we feel matters, as research shows 80 percent of the decisions we make are based on emotion or emotional connection.[3] When emotion stimulates loyalty, the benefits reliably circle back more tangibly. People who feel they've had a positive emotional experience with a brand are 15 times more likely to recommend that brand, 8 times more likely to trust it, and 7 times more likely to purchase from it again.[4]

That human connection continues to resonate long after the resolution of an issue. Months later, a customer may not remember an agent's name or even what the concern was. But a satisfying contact that left the customer feeling valued will influence the customer's longer-term connection with the brand.

Because human experience is demonstrably tied to material performance, it is worthy of more attention than it has traditionally received. The human experience centers on customers but extends beyond them to include a company's workforce and its partners in the ecosystem. For example, contact center and front-line employees feel more confident and significant when they have the tools and information to excel at their jobs. That attitude enhances the experiences of the customers who encounter them. The enhancement of positive experiences becomes a self-reinforcing cycle, supported and "seeded" by the tools that employees use daily.

Different companies, same goals

More and more, a person experiences travel and hospitality services in an ecosystem framework, often without a clear handoff from one provider to another—such as with codeshare and brand alliance partners, or when travel plans involve ancillary services such as catering or ground transfer arrangements. A company's ecosystem partners have a large impact on the way a customer feels about the travel experience.

In addition, those partners are also valuable sources of information about the customers, gathered at touch points that might not otherwise be visible to the company. Investing in strengthening relationships with ecosystem partners, in particular the ability to effectively share mutually beneficial data and insights about customers, can pay dividends by allowing travel companies to better anticipate and address customer needs.

The rise in travel platforms, which aggregate products and services to better serve customer needs, demonstrates how companies can use ecosystems to create compelling offerings that are more than the sum of their parts. Some travel companies have opted for an open source model that allows third parties to access data or customers, while others have selectively built platforms through targeted alliances and partnerships. One leading online vacation rental company joined forces with ridesharing, grocery delivery, and on-demand childcare services to ensure that vacationers can access everything they need through the vacation rental company's app. This demonstrates how stronger ecosystem ties position a company to create a more unified and personalized experience for customers throughout their travel journey—broadening the brand's influence in the process.

Human warmth at industrial scale

It's less challenging for a small business to talk about the human experience. With fewer people serving fewer customers, the experience is likely "more human" without anyone trying to make it that way. But forging that sense of connection is just as vital for a company that serves millions. The challenge is creating authentic personal connections at scale.

An investment in creating relevant, personal interactions at scale can take a variety of forms. A company that uses interactive voice response (IVR) to reduce the load on live contact center agents can make it feel a little less robotic if the system greets customers by name. It can feel a lot less robotic if it uses known customer interactions to save input time and drive interactions that are meaningfully personalized from the start. For example, one major airline has set up its automated system to predict what a customer may be calling about based on flight status or itinerary.

Other industries can also inspire new approaches. Several mobile phone carriers use complex statistical algorithms to drive customer "churn indicators" that define process and empowerment levels for contact center agents. When the data suggest a personalized offer is appropriate to make, the agent is able to make it without

Putting the principles into practice

One major travel-related company recently embarked on an effort to selectively enhance customer experience at memorable moments while also improving the efficiency and cost of its customer service organization. Among the results: reducing contact center cost by almost 30 percent.

The effort focused on the contact center by modifying the service model, creating an omni-channel experience, and driving improved self-service. Just as important, the company reinvested the money it saved into continuous improvement of the broader human experience, across customers, employees, and partners.

In the past, a company in this situation might have applied all the savings to its reservations operations, a more obvious place to reap benefits. That would have left loyalty in search of its own funding. Investing in HX is a more mature approach that recognizes the way loyalty sustains business and revenue over the long term. Today, this company is using the efficiency improvements it made across HX and loyalty to stand up new streams of sustainable revenue.

kicking the call to a manager, which reduces churn and enhances customer satisfaction. Some companies are also turning to behavior analytics technologies that assist agents in real time by interpreting key words or even tone of voice to advise appropriate responses. This is an example of technology making contacts more human—reminding us that technology is not only a tool to automate contacts but also to enrich them.

This enrichment goes a step further when the contact center engages customers in a proactive rather than simply reactive way. If agents are aware not only of the emotional tenor of customers but also are able to proactively codify customer preferences ("I see you typically stay in rooms with king beds; shall I enter that into your preferences?"), as well as make personalized offers, such as a spa package for an anniversary weekend getaway, human connections are cemented.

Questions to ask yourself

Companies today view contact center and HX investment as inextricably linked. Looking more deeply into this relationship can be useful preparation if a coming downturn places costs and returns in the spotlight. Companies are already headed in this direction: The Deloitte 2019 Contact Center Survey indicates that for 86 percent of companies, customer experience and expectations are a main driver of investment choices that affect the contact center.[5]

Unlocking the resources to invest in HX starts with a hard look at contact center operations, beginning with understanding what configuration choices a company needs to make. The 2019 survey identifies several key benchmarking areas that can help with that evaluation:

- **Handle time** – Counterintuitively, increased handle time can be a positive indicator. As customers continue to adopt increasingly sophisticated digital channels, a company should shift its mix of contacts away from simple contacts to more complex ones that deliver more value even if that means more time on the line. Sixty-one percent of organizations anticipate their contacts becoming more complex in the next two years.[6]
- **Channel mix** – Voice calls, live chats, and messaging each play a role in a well-balanced channel mix. Seventy-two percent of companies either have fully deployed or are piloting chat bots and virtual advisers right now. When they find a mix of channels that reduces shifts and makes the remaining ones smoother and more intelligent, companies can create a virtuous cycle in which customers reach out in ways that are right for both them and the company. Deloitte's survey found 78 percent of companies have expanded the channels they offer beyond voice.
- **Cost per call** – How does a company's cost per voice call compare to others in the industry? Is your company adjusting its "smart mix" to meet or beat that benchmark? Most organizations should strive for less than $5 per call.
- **Global distribution of contacts** – Most companies have a mix of contacts across captive and outsourced suppliers. Some are on-shore, near-shore, and off-shore. The distribution matters. Across multiple industries, 7 percent of contact center teams work from home today, and 29 percent are outsourced. Respondents expect that two years from now, at-home teams will more than double to 15 percent, and outsourced teams will grow slightly to 31 percent.[7]
- **Overall volume** – With more digital, self-service, and IVR tools, it may seem logical that contact center call volume will diminish, but 93 percent of consumer and industrial product executives said they expect contact volume to remain constant or increase in the next two years. If people will be making more calls about laundry detergent, you can bet they'll be making more calls about seat assignments and room upgrades.

Selling more than the trip

Ask a traveler what he or she enjoyed about a travel experience, and you'll likely hear about their memories and experiences: the flight, the view, the food. But ask the same traveler what detracted from it, and the contact center may figure into the answer. Investing in a contact center can influence a consumer's future behavior, and that's where its real value lies.

Many of the techniques to reduce contact center cost and increase agent efficiency also have the benefit of enhancing the customer's experience, both at the moment a customer interacts with the contact center and throughout the journey that follows. This is why in Deloitte's Contact Center Survey, more than 90 percent of respondents said improving contact center human experience—not just cost, not just handle time—was a strategic focus.[8]

Improving the contact center customer experience is a wise avenue to consider as a potential downturn appears on the horizon. But planning just to survive is never enough. Thriving requires investing in human experience beyond the contact center, creating a human connection that results in enhanced loyalty that drives sustained business results. That is why travel companies should look at their contact centers now—first to identify savings, and then to invest those savings for long-term growth.

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