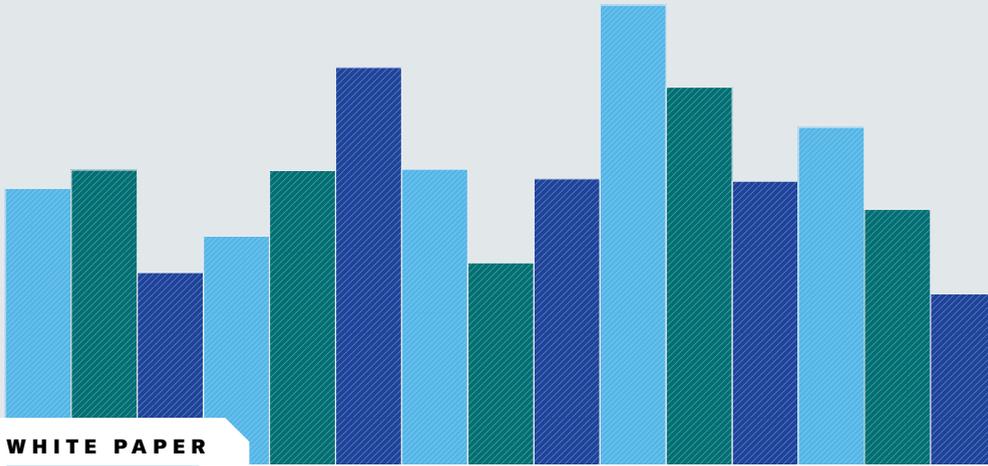


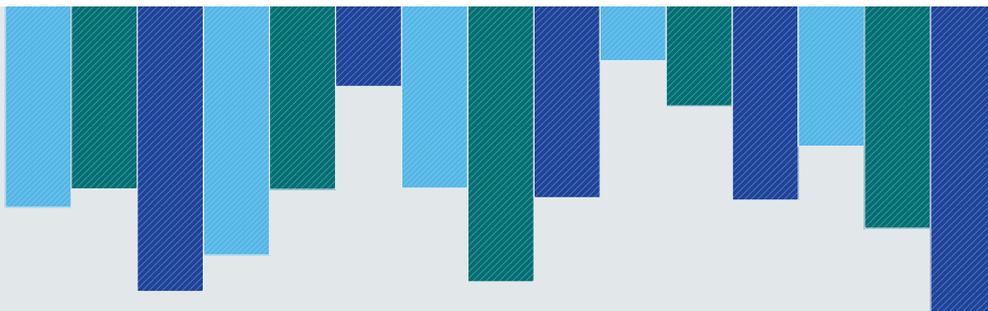


**Harvard
Business
Review**

ANALYTIC SERVICES



Strategically Aligning Customer Service with B2B Business Goals



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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 of value delivery, customers look to customer service for resolution. This is a critical moment of truth, when 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 of 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 service.



Nitin Badjatia

**Head, Product Marketing and
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SAP Sales Cloud

SAP Service Cloud

Strategically Aligning Customer Service with B2B Business Goals



For business-to-business (B2B) companies to remain competitive, it's no longer enough to sell great products. They also need to deliver new levels of customer service that reflect the digital expectations of customers today and deliver on the more personalized, fast, and effortless experiences that digital tools and data-driven capabilities can offer.

Taking customer service to higher levels is especially important as markets include increasingly intelligent products and technologically savvy customers ready to consume them. B2B customers are now also accustomed to digitally driven service experiences when they interact with business-to-consumer (B2C) companies in their personal lives. These experiences are setting new expectations for B2B customer service, which is increasingly becoming the marker of a high-quality brand and a driver of corporate revenue when delivered well. In other words, delivering B2B customer service has taken on renewed strategic importance for many organizations.

In this environment, resolving issues is now just the starting point. Forward-thinking businesses are building the foundation to offer entirely new types of customer support that put the service organization in a more strategic position in the company. Support offerings are becoming more frictionless, data-driven, proactive, consultative, and focused on maximizing the experience customers have—and the value they obtain—from both the products they buy and the business itself.

“The primary relationship between service and the customer used to be ‘Something went wrong, so we need to support you,’” says Thomas Lah, executive director and executive vice president of San Diego, Calif.-based research and advisory firm Technology & Services Industry Association (TSIA).

HIGHLIGHTS

Businesses need to **elevate the role of customer service** to a strategic function that **boosts revenue, brand reputation, and customer loyalty**.

The new business models based on **proactive service and subscription-based pricing** are changing the role of customer service and laying the foundation for critical innovations.

In addition to focusing on **efficiency and speed**, the service function will increasingly be accountable for outcomes that are much more closely tied with **revenue, customer satisfaction, and account health**.



“The world is getting more digital, and so are our products and customers. In the end, that brings more attention to service,” says Patrick Schwarz, vice president of customer relationship management and commercial excellence at GEA Group.

“Now it’s pivoting toward becoming a success relationship—‘Are you being successful with what I sold you?’”

To shift customer service into this new role, B2B organizations need to move beyond a tactical approach. It’s not about just adding a self-service channel or chatbot or applying automation tools to deliver service more efficiently. Instead, businesses need to plan for a strategic shift that impacts the entire way the service function operates, both in the service organization itself and across the enterprise.

“The world is getting more digital, and so are our products and customers. In the end, that brings more attention to service,” says Patrick Schwarz, vice president of customer relationship management (CRM) and commercial excellence at Düsseldorf, Germany-based GEA Group, one of the world’s largest suppliers of systems and components to the food, beverage, and pharmaceuticals industries. “Before, service was about contacting someone for spare parts or fixing breakdowns; now we can run predictive maintenance processes to prolong uptime not just on a single machine, but across the whole process line in the factory.”

In this scenario, service agents take on a consultative role, intervening before a problem occurs. “There’s a lot more focus now on sitting together with the customer and seeing how to make them more successful using our product, and not just being a provider of that product,” Schwarz says. Making this pivot, Schwarz and others say, requires a fundamental change. “Technology is a part of it, but the whole organization has to change,” Schwarz says.

B2B businesses need to rethink how they deliver customer service, from the processes and technologies they use to how they equip and empower customer service representatives to engage with customers. Businesses need to elevate the role of customer service to a strategic function that boosts revenue, brand reputation, and customer loyalty.

This report will explore how B2B businesses are strategically preparing their customer service organizations for the challenges ahead, as well as the new technologies, processes, and capabilities they’re focused on to better align customer service with business goals. It will reveal the best practices these businesses are following and the challenges they face, as well as how they’re overcoming them.

Increased Pressure on B2B Customer Service

Expectations for B2B customer service are growing among both customers and businesses themselves. “Businesses are increasingly thinking about customer service as less of a cost center that they have to have and more as a strategic capability that they want to have,” says Richard Crofton, a consulting partner at PricewaterhouseCoopers (PwC) in the United Kingdom. “This means they’re moving away from issue resolution to proactively finding ways for customers to get better value from the products and services they buy.”

But so far, the changes in customer expectations for B2B customer service are running ahead of the efforts that organizations are making to change their approach to it. According to a May 2022 survey by Harvard Business Review Analytic Services of 253 business executives, over three-quarters of respondents (78%) said customer expectations had changed either moderately or significantly in the past two years; however, just two-thirds said they’ve made like changes to their approach to customer service in that time frame. **FIGURE 1**

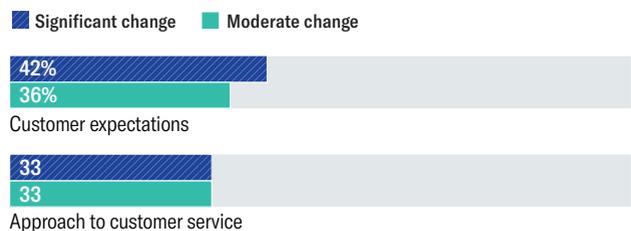
One reason for this gap between B2B customers’ expectations and B2B organizations’ response is the accelerated move to digital ways of transacting and interacting during the

FIGURE 1

Changing Customer Expectations for Service

Organizations haven’t shifted their customer service approach commensurately with those demands.

To what extent have your organization’s approach and your customers’ expectations for customer service changed over the past two years?



Source: Harvard Business Review Analytic Services survey, May 2022



“It’s becoming more and more apparent that customer service is not just about fulfilling our contractual duties but also about providing real added value for customers,” says Daniel Meerkamp, director of sales and service solutions at Knorr-Bremse Group.

pandemic. In their personal lives, B2B customers quickly became accustomed to the online platforms and experiences made available for B2C customer service in that time frame, as well as the fast response times promised by these capabilities. They also quickly adopted any e-commerce functions that B2B businesses enabled during the global lockdowns, including for B2B sales. In parallel, expectations also rose for B2B customer service to become more digital as well—more quickly, in most cases, than B2B businesses could keep up with.

“We’re seeing our [B2B] customers wanting a similar experience to what they get in the consumer market,” says Ahmad Alhmmady, digital business solutions manager at Alfanar Group, a manufacturer of electrical construction products and solutions for B2B customers, based in Riyadh, Saudi Arabia. Just as it would in the B2C world, an outdated service experience in the B2B market would reflect poorly on the brand.

“What makes our brand competitive in the market is quality,” he says. “As the world starts to change to digitization, we need to enhance our customers’ experience with the right IT solutions, along with the products they own from Alfanar.”

Right before the pandemic, in 2019, Alfanar launched its e-commerce site to enable online sales. Uptake was quick, especially once lockdowns took hold. Customer expectations for even more seamless, simple, and digital customer service capabilities followed. “We’re continuing to enhance these channels to meet customer needs. It’s become a key essential,” Alhmmady says.

Alfanar has moved from a primarily manual approach to customer service to a cloud-based system that gives service engineers, account owners, support agents, and B2B customers themselves complete visibility into service requests, including who’s working on their issue and when it will be resolved. Customers themselves also can submit requests through the website, email, mobile app, or live chat, and all this information is stored in one easily accessible place for the entire support team to see.

The Value of Sharing Data

As customer interactions become more digital, businesses also are realizing that the customer service function is where they can gather key customer and service-related data that

is relevant and valuable to different departments across the organization.

“Customer service teams are gathering insights from every customer transaction that happens,” PwC’s Crofton says. With this data, “they can answer questions like ‘Are customers getting the value they hoped for? Will they renew? What product enhancements can be made? What additional products and services could help? Are processes working well?’ By seeing customer service in a strategic way, organizations can get a huge amount of insight that they can monetize.”

Such is the case at Knorr-Bremse Group, a global manufacturer of braking systems and other subsystems for rail and commercial vehicles, based in Munich. “It’s becoming more and more apparent that customer service is not just about fulfilling our contractual duties but also about providing real added value for customers,” says Daniel Meerkamp, director of sales and service solutions at the company. In addition to service being a competitive differentiator, “the inside information we gather is one of the key pillars in our rail division.”

Knorr-Bremse has this information because it equipped its field engineers with mobile devices that are connected to its back-end enterprise resource planning system. The field engineers can now enter their observations, diagnoses, and work performed, including photos they take with their smartphones, while at the customer site. By analyzing the data, the company can gain far more accurate insights into equipment run times, maintenance cycles, structural weaknesses, lifetime costs, and more, based on how the equipment operates in an array of environmental conditions. “Our braking systems are used everywhere from the desert to the Arctic and throughout Europe, China, and the U.S., so there are many differences,” Meerkamp says.

That information can then be used for R&D, business planning, sales forecasting, opportunity management, and service itself, Meerkamp adds. For instance, with accurate quantification of equipment run times and life cycle and maintenance costs, the company can enhance its service levels, improve product quality, negotiate more effectively on new contracts, offer more competitive deals, and prove the value of its equipment when selling to both new and existing customers.

Field engineers also collect data on the condition of other equipment they find on-site, which can help them create



“By seeing customer service in a strategic way, organizations can get a huge amount of insight that they can monetize,” says Richard Crofton, a consulting partner at PricewaterhouseCoopers.

bundled offers for parts and equipment that might be due for replacement or maintenance, which bolsters revenue.

Meerkamp says customers have taken notice of the more digital approach. “It creates a more positive perception of the quality of our service, and, of course, our technicians can better focus on the work they’re doing.” While the company doesn’t have benchmark metrics to make a before-and-after comparison, Meerkamp believes the system helps get trains back on the track more quickly, which is yet another added value for customers.

By applying machine learning-driven analytics to this customer data, businesses also could get early warnings of customer issues that they can then work to resolve. “Customer data can provide the raw material for developing better metrics and KPIs that lead to better value for customers,” says Denis Pombriant, managing principal of CRM analyst firm Beagle Research Group LLC in Stoughton, Massachusetts. “If your sensors can be more finely tuned to a particular customer issue, then the next thing you ought to be doing is making a metric out of it and managing toward it.”

For example, a machine learning-driven system could detect subtle signals of a component shortage for a subassembly unit, he says. The automated alert could give the subassembly maker a chance to offset late delivery metrics. For instance, it could arrange to have the component shipped directly to the next-in-line producer, which could insert the component on the shop floor, improving production capacity and shortening wait times. “In that scenario, your service people really need to understand the customer production process so they can act as trusted advisers to come up with the best workaround,” Pombriant says.

Moving into New Business Models

The ability to collect and analyze equipment information, combined with more connected products embedded with

internet of things sensors, lays the groundwork for a shift into new business models based on proactive service and subscription-based pricing.

“It would allow us to move from servicing customers when something breaks to selling equipment based on mileage,” Meerkamp says. “This [transition] would provide the customer with new value and deepen our relationship with the customer.”

While moving toward a subscription-based model will take time because of the highly regulated transportation industry, as well as data ownership and data-sharing issues among the rail operators, the original equipment manufacturers, and Knorr-Bremse itself, “it’s an example of where we want to go,” Meerkamp says.

The new business models based on proactive service and subscription-based pricing are changing the role of customer service and laying the foundation for critical innovations.

With subscription- and consumption-based revenue models, “you’re completely living and dying on customers renewing and expanding the subscription,” TSIA’s Lah says. “You can’t just wait for the customer to call and ask you to fix something—you need to actively monitor how the customer is actually using your product.”

Active monitoring is done through telemetry data generated by the equipment or products themselves. With this information, service teams can see whether customers are getting optimal utilization of the product. “Now you can have adoption conversations, advising customers to use the right features so they can be more effective,” Lah says. “Those value propositions are being unlocked.”

This business model changes the role of customer service agents, who may now have expansion targets and quotas they need to meet. “The service organization might own a renewal number that’s bigger than what sales has in terms of net new sales,” Lah says. “It’s a complete pivot with how you view service—it’s much more actively involved with adoption, helping the customer grow, and taking on commercial responsibilities.” In the Harvard Business Review Analytic Services survey, 81% of respondents agreed that subscription-based business models would require a new approach to customer service that is different from one-time-purchase approaches.

GEA, meanwhile, has implemented a new business model, based on equipment telemetry data and proactive customer service, in several of its business units. “Service is now one of the strategic growth areas within GEA,” says Armin Tietjen, executive vice president of global service/product engineering and development.

While service at GEA has traditionally focused only on repairs and maintenance, the company now offers a new type of service level agreement that offers proactive versus reactive service. Using online performance monitoring and



“It’s a complete pivot with how you view service— it’s much more actively involved with adoption, helping the customer grow, and taking on commercial responsibilities.”

Thomas Lah, executive director and executive vice president of Technology & Services Industry Association



Eighty-one percent of respondents agreed that subscription-based business models would require a new approach to customer service that is different from one-time-purchase approaches.

predictive maintenance processes, customer service teams can advise customers on actions and interventions needed to avoid breakdowns before they happen, prolong uptime, and optimize performance while the equipment is in use.

“We want to offer customers a higher-value service experience. That requires a major change and shift for all our businesses,” Tietjen says.

GEA is not alone in making the move to proactive service. In of survey, three-quarters of respondents said proactive service was important to delivering successful customer service, yet just over one-third (36%) currently have these capabilities in place. At the same time, just over half of respondents (52%) said they would invest in proactive service capabilities in the next two years. **FIGURE 2**

At GEA, the service team will soon have a full view of the customer journey through a centralized CRM system that includes previous claims, complaints, customer satisfaction scores, and the installed base of equipment. If the service representative is unable to resolve an issue that arises, he or she can immediately connect with an expert for additional help. The system also connects sales, service, marketing, e-commerce, and field service all on one platform. “All of that is digital, and if someone needs to go to the customer site, field service is also connected to that,” Tietjen says.

For customers that have signed up for proactive support, the service team also can view telemetry data on how equipment has been performing. Based on all this information, the service team can ask questions and make suggestions for changing settings, specifications, or processes to optimize performance based on actual data generated by the equipment itself.

Taking on this more consultative role doesn’t happen overnight. “The same person with the same skill set can’t do the job on day one,” Tietjen says. “We have to support them to get to this point.” Many areas of the business need to be involved with this shift as well. For instance, a centralized digital solutions group needs to work with the operations team, marketing, customer service, and even customers themselves to determine which specifications should be included on the customer and service dashboards and which thresholds should trigger alerts.

This whole process requires a mindset shift, Tietjen says. “Our own people sometimes don’t really see what the customer needs because they’re still thinking in terms of repairing the machines versus keeping them in operation,” he explains. “It’s a new perspective on what your job is about.”

The company also plans to use artificial intelligence (AI) to improve its service processes and thus offer customers even more value from the service experience. For instance, by applying AI analytics to machine inspections and maintenance data, the company could get automated recommendations, such as which spare parts are most likely to be needed for a given customer issue or the types of skills the field service technician should have, which would improve the company’s first-time fix rate. Using AI, GEA is also developing an internal knowledge base to help local support teams provide better guidance and backing, based on what has worked—and not worked—in the past.

Both of these capabilities would help speed issue resolution, which is a key factor driving customer expectations today. “In the past, you could take a week’s time to answer an inquiry. Now it needs to be answered tomorrow,” GEA’s Schwarz says. In the U.S., expected response times are even faster—no longer than four hours for emergency calls. “It might feel like there’s higher customer demand,” he notes, “But the demand is the same—it’s the response time that has adapted due to [what B2B customers have become accustomed to in] the digital B2C world.”

The use of AI and machine learning also would meet the expectations of digital-native employees and customers.

FIGURE 2

The Move to Proactive Customer Service

Given its importance, half the organizations are investing to close the gap from where they stand now.

How important is providing proactive service, to what extent do you have it in place, and will your organization’s investment in it change in the next two years?

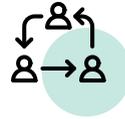


Source: Harvard Business Review Analytic Services survey, May 2022

“Whether it’s customers or employees, the people coming into the workforce already have experience with AI and machine learning,” Beagle Research’s Pombriant says, and they will want to know why it’s not being used.

AI and machine learning functionalities are increasingly in use at B2C consumer support organizations—a bellwether in many ways for B2B customer service. For instance, De’Longhi Group, a home appliance maker in Treviso, Italy, is using AI for chatbot-driven self-service for consumers and is developing an AI capability to support agents on answering questions and providing next-best actions.

“Having some experience from other interactions and tickets to give a fast solution gives the consumer the impression that you’re really well-prepared and competent and increases their trust toward you,” says Matteo Bedin, technical service manager at De’Longhi.



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The Foundation for Strategic Service

To shift customer service into a more strategic stance, B2B businesses need three capabilities in place, according to Crofton: a strategy for delivering customer service strategically, the technology to deliver on it, and “fantastic operational management,” he says.

Great operational management starts, he says, by opening the data and process flows among enterprise-wide business functions—commonly known as breaking down business silos. Achieving this dismantling requires top-management support, according to Crofton.

“It’s definitely a transformation effort,” he says. “Those that are winning at this have strong executive sponsorship for the breaking of silos to allow customer service to play an active role across the organization and organize themselves across the end-to-end customer journey,” he explains. “This [approach] requires strong leadership to deliver on the broad set of capabilities that’s required for customer service, but in a way that influences and has an impact across functions.”

The role of chief customer officer is not new, but its importance to the organization is. “Historically, customer service has recruited good operational leaders; now they need operational leaders who can solve for some of these new issues. How do you design processes that allow for a great customer experience across silos? How can you use automation technologies to remove unnecessary effort? How can you provide the value-add to customers and provide insight back to the business? Operational management has got to be the heart of executing on it,” Crofton says.

By breaking down silos, more business functions can contribute to—and participate in—delivering customer service. “Our research shows that a key marker of companies that are winning with enterprise-wide transformation are those that have connected the service function to the supply chain,

finance, sales, and marketing rather than service being a siloed function within the organization,” says Luke Robinson, senior manager of customer-led transformation at PwC.

The CRM system at De’Longhi, for example, connects service agents with information on e-commerce orders, repairs, billing, shipping, and even third-party logistics. If a consumer is having trouble with a coffee machine, for instance, the service agent can arrange for the machine to be picked up by a specific carrier, and all the information about the machine—including the consumer’s name, the serial number of the equipment, and what needs to be fixed—is sent to the repair center.

“The customer service agent is able to report to the user on how the repair is going and when [the coffee machine] will be shipped back,” says Bedin, the technical service manager. “The ability to have one single tool to interact with as many people as possible and give the best service was the biggest deal in this project. This [process] is really helping operators focus on the service they’re giving the consumer and not [on] the procedure itself.”

Designing More Meaningful Metrics

When making customer service a strategic piece of the business, organizations also need to start looking at new ways of measuring outcomes. In addition to focusing on efficiency and speed, the service function will increasingly be accountable for outcomes that are much more closely tied to revenue, customer satisfaction, and account health.

GEA, for instance, measures customer satisfaction via surveys following every customer interaction, as well as Net Promoter Score, where customers rate the degree to which they would recommend the company to their colleagues. This information is readily available to service representatives and field service technicians in the CRM system.



“Everyone wants to get to trusted adviser status because that’s what creates customer loyalty and makes the business more profitable. It glues your customer to you,” says Denis Pombriant, managing principal of CRM analyst firm Beagle Research Group LLC.

The company combines this information with internal metrics that monitor how long each issue takes to resolve at each step of the process, both to ensure service level agreements are met and to gain insight into where processes need to be improved. But these speed metrics are most valuable when combined with the customer satisfaction score. “The customer doesn’t care if it took 24 hours to reach second-level support—he just wants to keep his production line up and running,” Tietjen says.

GEA also measures “share of wallet,” or the potential revenue each customer could yield, based on their installed base of equipment and what can be anticipated in terms of maintenance, modernization, upgrades, and proactive service offerings. Each time new services are developed, the share of wallet increases because it expands the potential for additional service opportunities. For GEA, it is important that these new levels of service are proactively offered to customers with high share-of-wallet forecasts.

Recurring revenue is another metric that will likely gain a foothold in strategic service organizations. PwC has worked with clients on increasing recurring revenue through customer service transformations. In one case, a client increased its recurring revenue by 4% by making behavioral changes related to “great operational management,” Crofton says.

When the client’s customer support team noted a higher-than-average churn rate, it spurred a company-wide effort to reduce churn. “Everybody became engaged with this—anyone who interacted with the customer would note in the CRM system if something seemed amiss, and someone would proactively reach out to the customer,” Crofton says.

Account health is another metric designed to get a holistic view of customer satisfaction, as well as the drivers that could either detract from or bolster customer loyalty. To measure account health, businesses need to understand the customer’s desired outcomes and apply mechanisms that track whether those outcomes are achieved and where there might be deficiencies.

Improvements can be made by providing guidance on equipment configuration, adoption of relevant features and functionalities, or training and onboarding support. “What’s

important with any metric is it gives you insight into actions you can take to improve on it,” PwC’s Robinson says.

What’s key, Pombriant says, is moving metrics closer to what the customer wants to achieve. The classic example, he says, is a company that traditionally sold earth-moving equipment but now lets customers subscribe to a service based on how many cubic yards of material they want to move per day. “A drone would fly over the construction site at the end of the day, take pictures, and feed that into a system that analyzes how much dirt was removed,” he says. “All of a sudden, the metric isn’t the uptime of the bulldozer but whether we moved enough earth.”

In this case, service outcomes are much closer to customer outcomes. “The customer doesn’t care about equipment uptime, and they don’t want a bulldozer. They want to dig a hole in the ground and build a building,” Pombriant says.

From Transactions to Trust

What’s clear is that B2B customer service is moving from a transaction-oriented to a value-based relationship that builds and fortifies loyalty and trust among not just customers but also service employees. Businesses need to prepare for the elements required for the overhaul.

“From a customer perspective, they want to work with organizations they trust,” Crofton says. “And from an employee experience perspective, they want to work at purpose-led organizations that they trust. That means not being measured purely on how fast you work or how much you sell to the customer but doing the best thing for the customer and helping the customer get the value they’re looking for.”

Pombriant agrees. “It’s becoming mandatory for vendors to be a trusted partner to solve problems that ultimately affect both organizations,” he says. “Everyone wants to get to trusted adviser status because that’s what creates customer loyalty and makes the business more profitable. It glues your customer to you.” And when companies succeed in building that trust, they are delivering on their brand promise, increasing customer retention, and driving revenue growth.



Harvard Business Review

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