

BEST FACE FORWARD

*Why Companies Must
Improve Their Service
Interfaces with Customers*

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INTRODUCTION

The world of services is undergoing a revolution. All around us, companies are radically reconfiguring the ways they interact with customers. That, in turn, is changing irrevocably how people employed in all manner of service positions—which is most of the work force—relate to customers and their jobs. In airports, computerized kiosks dispense boarding passes and automated scanners read them at the gate. In concourses, fully automated store-in-a-box vending machines bearing retail brands sell books for WHSmith and office supplies for Staples. In drugstores, Kodak-branded kiosks with brightly colored touch-screens download digital images from cameras and mobile phones and print them on demand. In large-format retailers such as The Home Depot, self-checkout stations tally up shoppers' purchases in nearly a thousand of the chain's U.S. stores. In movie theaters, Fandango kiosks dispense prepaid movie tickets and sell new ones. Call these machines the offspring of the automated teller machine (ATM), but they bear little resemblance to their cash-dispensing forebears that originated several decades ago. You might argue that what's happened in the interim—along with the underlying evolution in enabling technologies—is the Web, a mass-market training ground for consumers in dealing with the symbolic logic of point-and-click icons, pull-down menus, hyperlinked content, and electronic contexts for accessing services and transactions. Mass-market consumers of all ages and walks of life have embraced these machines—and

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adaptation of these consumers to new ways of interacting with the world has taken place with remarkable velocity.

The result is a revolution in the service sector that's hard to understate: The front office has succumbed to automation in much the way manufacturing did over a century ago. The shift from human to machine labor in mass-market services resembles earlier industrial revolutions, when steam-driven turbines replaced living muscle in the early nineteenth century; when automation and dynamos transformed factories, mills, and all manner of transportation in the late nineteenth century; and when data processors transformed the back offices of large corporations beginning in the 1950s. In each era, businesses found ways to substitute capital machinery for human labor—and capital expenditures proved, in economic terms, more attractive than labor. In some cases, work environments once populated by hundreds or thousands of people became work places populated by a few people managing large numbers of machines. In other cases, new roles for people emerged in the work place, especially in those businesses where the uniquely human attributes of people—such as creativity, problem-solving abilities, and interpersonal skills—translated into economic value.

For decades of modern business history, companies have interacted with their customers and markets predominantly through people in frontline service or managerial positions. The rise of the Internet and ubiquitous networks as platforms for commerce in the 1990s created the first glimpse of a different reality—one that put machines to work in frontline positions to manage transactions, interactions, and, ultimately, customer relationships. That revolution was limited in its impact, because it unfolded online. Even with e-commerce revenues set to achieve a significant proportion of retail volume around the world—in the United States, it's projected to pass 5 percent in the next few years—online sales are still a relatively minor event in the greater scheme of commerce. We consumers are analog creatures; we live most of our lives offline, in a world composed of atoms, not bits. Online com-

merce is a phenomenon that's happened on the periphery of our reality, not at its center.

Now, however, we are entering an age when many of the implications of the networked world are permeating the physical one. Ubiquitous and intelligent networks are reaching into offline realms. Smart and proliferating devices, which allow us to access those networks, are becoming part of our everyday world. The result is that Web screens anchored to bulky personal computers are not the only way in which the intelligence of machines is impinging on our experience of life. Now, a vast array of anchored and mobile devices, in mind-expanding and ever-mutating variety, is positioned to connect us continuously to global networks. That same array of devices and networks makes it possible for companies to relate to customers and interact with markets in radically new ways.

If you stop to think in these terms, there is much around us that is strangely different and even discontinuous from recent commercial reality. Every time an airport kiosk issues a boarding pass, it's playing a role in a dramatic substitution of frontline machine labor for what was, until recently, the exclusive province of human effort. Every time a pharmacy refills a prescription using an automated voice-response system, it's using a machine to assume a critical front-office task once performed by the pharmacist in the store. When you leave a parking garage and use a talking vending machine to accept payment and validate your ticket, the transaction is one that, until recently, required clerks sitting at service counters to execute.

Each one of these examples reflects a facet of the front-office revolution unfolding today—the substitution of machine for human labor in the physical world of business. Automation has come to services. Devices such as kiosks, interactive voice-response units, Web sites, ATMs, and sophisticated vending machines are driving down the costs of customer interactions even as they enable more satisfying customer experiences. While automation of transactional services is not new, machines deployed on the front lines

today have reached a threshold of intelligence, interactivity, and emotional appeal that is unprecedented; these attributes, when combined with networking, qualify such machines to manage human relationships with more sophistication than ever before. And the cost compression opportunities of such automation are as dramatic as any in the annals of reengineering associated with the back-office automation of two decades ago—or in the industrial automation movement that began over a hundred and fifty years ago.

At the same time, it's become commonplace to pick up the phone seeking to contact a company and discover that you've reached a call center in a far-flung location. Decades ago, telecommunications and financial services firms first sought to lower their costs of handling service calls by shifting their call centers from locations proximal to headquarters to ones in remote Midwestern states like South Dakota, then to offshore locations like Ireland, where labor rates were lower. With plummeting costs of long-distance communications, this kind of labor-rate arbitrage made sense. Often, those workers in remote locations were friendlier and spoke clearer English than their counterparts closer to home. Today, the fact of ubiquitous communications networks has created more dramatic outcomes, with professional as well as clerical service positions increasingly displaced to remote locations such as China, India, and the Philippines. In each case, corporate employers have concluded that they can hire better talent at lower cost, improving the economics of their businesses while providing a better quality of interaction for customers.

Phenomena such as outsourcing and off-shoring, like automation in services, are part of the same story that's driven by the confluence of these two trends—ubiquitous networks and smart devices. These trends are the underlying themes of this book. We argue that the forces associated with such evolving technologies are fomenting a radical reconfiguration in how the world's leading businesses go to market. Networks create the flexibility in frontline service positions to deploy human talent that is physically proximal as well as geographically remote. Smart devices create the

flexibility to interact with customers using machines as well as people. In short, networks enable *displacement* of service roles and functions; and devices enable their *automation*. The possibilities represented by displacement and automation, in turn, throw into question how just about every company competes today. Why? The opportunities for radical gains in efficiency and effectiveness related to how companies manage interactions and relationships with customers can enhance both enterprise economics and the differentiation of a company's offerings and brands.

Of course, just as people who are remote can serve customers by connecting across great distances, machines can do the same. That was one lesson from the Internet revolution. The "death of distance" meant that remote Web servers could process transactions, for example, for e-commerce customers around the world, potentially transforming local businesses into franchises with national or global reach. As these dynamics fold over onto the physical world, they enable both people and machines to serve customers either in direct proximity or from remote locations. And the fact of connectivity itself means that people and machines can collaborate in new ways, too. Hence the power of a skilled call center representative, who can deliver over a phone line human warmth and empathy with database-driven precision in tailored services.

To apply these ideas about networks and devices, and the displacement and automation they enable, to a wholesale rethinking of how companies relate to customers and markets is what we call *front-office reengineering*. It is, we believe, how smart enterprises and their managers will compete for advantage now and in the future.

The reengineered front office is composed of three varieties of *service interfaces*. We define a service interface as a front-office element of operations that mediates interactions and relationships between a company and its customers. Such service interfaces take shape according to three basic archetypes—*people-dominant*, *machine-dominant*, and *hybrids* of people and machines. We think of an interaction with a waiter as a people-dominant service interface (even if it is supported by computerized ordering systems). We

think of a vending machine or a Web site as a machine-dominant service interface (even if it is supported by staffs for maintenance and development). And we think of a call center representative, who cannot perform his or her job without access to phone lines and database systems, as a hybrid service interface.

As companies aim to improve the efficiency and effectiveness of their interaction and relationship management operations, senior executives and managers must ask several critical questions of themselves and their companies:

- Does each service interface perform its functions optimally, or could our company do better by deploying people in place of machines or machines in place of people?
- Does each service interface perform its functions optimally, or could we do better by deploying people in collaboration with machines or machines in collaboration with people?
- Does each service interface perform its role optimally, or could we do better by deploying interfaces remotely if they are proximal, or proximally if they are remote?

In answering these questions, managers will inevitably recognize that some previously deployed interfaces have become superfluous in the reengineered operation. They may conclude that other interfaces are missing. These realizations stem from a fundamental insight that lies at the heart of what we argue in this book. While the vast majority of companies have sunk enormous investments into deploying broad arrays of service interfaces with customers, most do not, in fact, manage their interfaces—regardless of how well each interface is configured—in the context of what we call *interface systems*. When such systems function properly, they represent not a portfolio of uncoordinated touch-points or connections between companies and customers, but rather a unified and unique *interface capability* that manages relationships in integrated and seamless ways. When realized successfully, such interface capability drives down the cost of managing each customer

interaction while driving up the quality of interaction. How? By gaining new operating leverage (in both costs and revenues) that ubiquitous networks and smart devices make possible.

We are talking about a radical reconfiguration of work and a radical rethinking of corporate strategy. It's a fact that the vast majority of human beings in industrialized countries are consumed every day by jobs pertaining in some fashion to interaction or relationship management with customers. Leave aside the fact that the service sector itself accounts for nearly nine out of every ten jobs. To change how service work is organized and performed is tantamount to an industrial revolution. Indeed, that revolution—a revolution in services that technology makes possible—is the ultimate subject of this book.

SUMMARY OF THE BOOK

In chapter 1, we examine the new realities of business that have made the quality of customer interactions and relationships the next frontier of competitive advantage. In so doing, we explore the limitations of competing on product and service offerings alone, which have given rise in recent years to a focus on customer experience. We argue that the most actionable approach to managing customer experience centers on a company's service interfaces, because those interfaces are how companies determine the quality of their interactions and relationships with customers. Managers must open their minds to innovative configurations of people and machines to compose interface systems in optimal ways. If they do, the payoffs in productivity gains can be enormous and we examine the literature supporting this position. Finally, we conclude the chapter with a set of principles that guide our understanding of the front-office revolution.

In chapter 2, we explain why the front-office revolution is unfolding now. We explore in depth the trends in technology evolution related to networks and devices that make this a time of unique opportunity for establishing interface-based strategic

advantage. While no one trend is new, in combination they create a kind of a threshold effect. The trends are: the proliferation of smart devices, the rising intelligence and interactivity of those devices, the capacity of such devices to appeal on increasingly emotional dimensions, and the synaptic connectivity that links such devices to other devices and networks. These trends result in new possibilities for the roles technology can play in managing customer interactions for companies. In persuasively adopting customer relationship management roles, machines have come of age—and joined the work force, this time in the front office.

In chapter 3, we contrast the reengineering revolution of the 1980s with the front-office reengineering revolution unfolding today. Front-office reengineering involves the radical redefinition of front-office labor in light of the contributions of machines and machine-driven processes. These new roles for machines result from the four trends outlined in chapter 2. In this chapter, we deal with the economic incentives to substitute capital equipment for human labor on the front lines, both for efficiency (lower costs of delivering a customer interaction or relationship) and effectiveness (better quality of customer interaction or relationship management). In our view, front-office reengineering is ultimately concerned with productivity gains at the enterprise level, as measured in reduced costs and increased revenues.

In the next three chapters, we take a close look at the building blocks of interface systems, outlining our three interface types or archetypes. In chapter 4, we examine the traditional interface through which companies have delivered services throughout history—the pure human interface involving people enabled by people in the interaction and relationship management functions of the front office. In chapter 5, we examine the automated interface that has begun to appear as more and more smart devices are tied to networks and become compelling interfaces along physical, cognitive, emotional, and synaptic dimensions, for connecting customers and companies. In chapter 6, we examine two versions of the hybrid interface, people enabled by machines and machines

enabled by people. Our intent here is to examine the ways in which humans and machines may collaborate in the front-line work force, and how the combination of people and technology can prove powerful in compressing costs while increasing the quality of customer interactions and relationships.

In chapter 7, we examine a variety of interface systems and what makes some successful and others not. These systems represent combinations of the foregoing interface archetypes, with the added complexity of multiple layers of people and technology creating even more complex, multilevel interfaces. We focus in particular on one company that's orchestrated a world-class interface system using people and machines in a variety of innovative roles—and created a truly breakthrough business as a result. That company is QVC, the leader in TV home shopping and a retailer with some of the highest levels of satisfaction and loyalty, not to mention profitability, in the business.

In chapter 8, we provide an assessment tool for deploying interface systems and optimizing portfolios of interfaces already deployed. This methodology stresses that interface systems have two constituencies—the internal (employees) and the external (customers)—because internal and external interfaces are intimately interrelated and companies must deploy them with this interrelationship in mind. The process of front-office reengineering entails trade-offs in relationship management between efficiency and effectiveness. For every business, the trade-offs drive different forms of optimization. Getting it right enables corporations to manage customer interactions and relationships in ways that create long-term, sustainable competitive advantage.