

**DRIVERS**  
**QUALITY**  
**BETTER**  
**SEGMENTATION**  
**EXCELLENT**  
**COMPETITIVE**  
**TECHNOLOGY**  
**GEOGRAPHY**  
**FASTER**  
**SERVICE**  
**OUTSOURCE**  
**OFFSHORE**  
**INVEST**  
**FOCUS**  
**BESPOKE**  
**MEDIA**  
**DIFFERENTIATOR**  
**PERSONAL**  
**SPECIAL**  
**CUSTOMISATION**  
**INFORMATION**  
**PRICE**

**SERVICE 2020: MEGATRENDS FOR THE DECADE AHEAD**

A BDO report, written by the Economist Intelligence Unit

SUMMER 2011

Written by

**Economist Intelligence Unit**

The Economist



CUSTOMER SERVICE MEGATREND 01

**GLOBAL COMPETITION  
WILL  
DRIVE  
SERVICE STANDARDS**



---

**HISTORICALLY, SERVICE STANDARDS HAVE RISEN AND FALLEN IN LINE WITH PEAKS AND TROUGHS IN SUPPLY AND DEMAND.**

When demand for a product far outstrips supply, the firm in question will often, understandably, simply focus on delivering the goods. But in an increasingly commoditised and competitive global marketplace, with aggressive new emerging market rivals expanding rapidly, customer service will be used by a rising number of firms as a competitive differentiator. Increased global competition is seen as the number one driver of customer service for the decade ahead overall.

This is particularly true for business-to-business (B2B) firms. Consumer-oriented, or business-to-consumer (B2C) firms also see competition as a key driver, but it jostles along with other major issues such as the growth of the middle class in emerging markets and the creation of new technologies.

This competition is driving an important change: a tighter focus on customer service. While quality is seen today as the key means of standing out from the crowd, especially for B2B firms, service will be the clear focus for firms of all shapes and sizes by 2020. More than half (55%) expect to compete on this basis in 2020, well ahead of quality (33%), while price is seen as relatively insignificant (9%).

---

The shift is even more striking in the B2B market, where it nearly doubles from 32% competing on that basis today to 57% by 2020. Regardless of the sector, then, customer service specialists will be in demand. Many already are: about seven in 10 firms agree that excellent customer service is a competitive differentiator for them in their industry. "Ultimately, service is the only differentiator," argues Jo Causon, CEO of the Institute of Customer Service (ICS), an independent, professional membership body for customer service.

It would be rash to consider price immaterial, however: for many interviewees, price is simply one of the barriers to entry in their markets. "Price is a very important factor," says Ratheesan Yoganathan, CEO of Lebara, a European low-cost mobile operator. "But once [our customers] like the price, we want them to be happy with our service, so that they don't move for half a pence cheaper."

Some industries are clearly more price-centric than others, but to avoid being caught in a race to the bottom in terms of price, service will be used to stand out. Many will even use this as a means of potentially charging more: two-thirds of firms think premium products will be linked to premium service in 2020. This will lead to a rise in new product niches, as outlined in the seventh megatrend.

---

**WE'RE ALL (SORT OF) GOOD AT CUSTOMER SERVICE**

Much like male car drivers, many of whom believe they are excellent drivers, most (nearly seven in 10) firms consider themselves to be "above average" when it comes to customer service, although relatively few (16%) regard themselves as excellent. Some of these, however, appear to be getting slightly ahead of themselves. Just six in 10 have a defined strategy for tracking customer feedback and complaints, while even fewer (55%) have a system for identifying service gaps, and less than four in 10 think they do a good job of addressing customer feedback. In many areas, B2C firms appear to be doing more than their B2B peers.

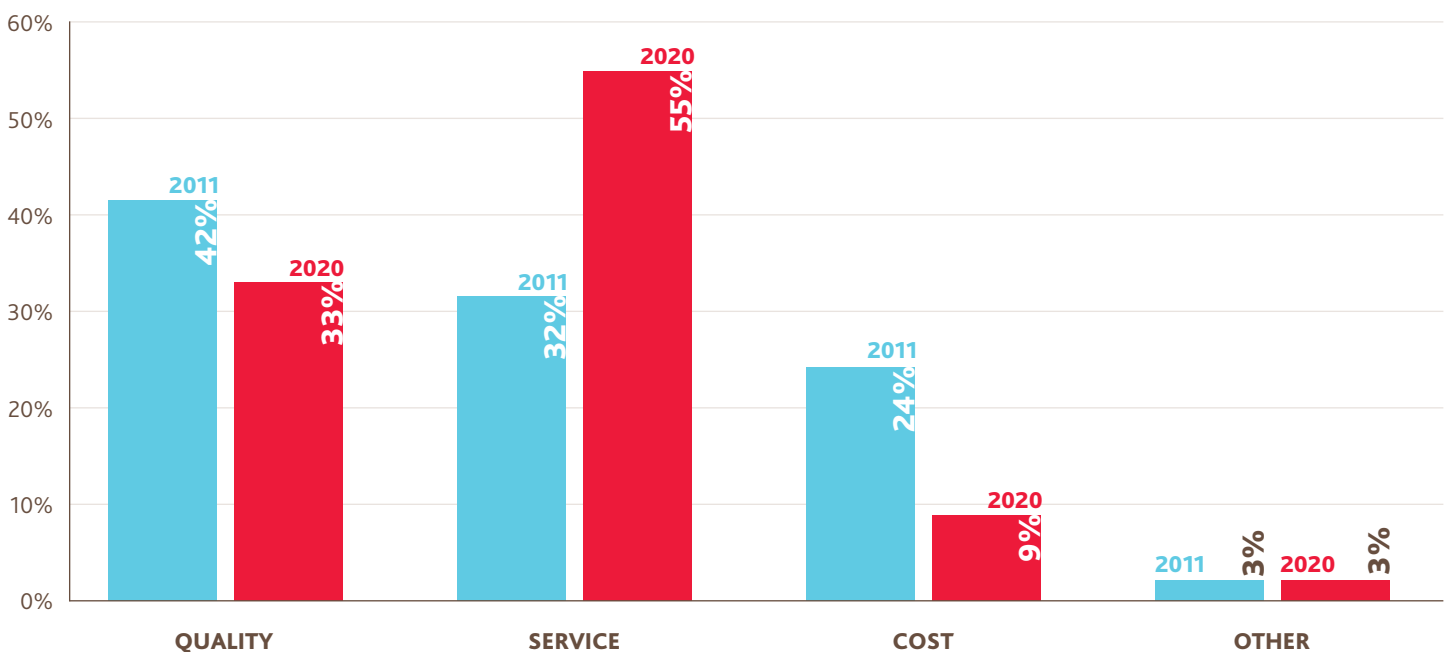
For example, while a similar amount of firms in both categories have a defined strategy for tracking customer feedback and complaints, nearly twice as many B2C firms are working on installing one (27% compared with 15%).

However, less than half of firms overall (47%) even have clearly defined service goals and processes. If service is indeed going to be a competitive differentiator in 2020, many firms have a lot more work to do.

**JO CAUSON** *Ultimately service is the only differentiator*  
CEO, Institute of Customer Service

**CHART 1\***

**Q:** "On what basis does your company primarily compete now, and what do you expect in 2020?"



## CONTACT

For more information please contact:

### **MONICA WOODLEY**

**Economist Intelligence Unit**

e: [monicawoodley@economist.com](mailto:monicawoodley@economist.com)

### **ALLAN EVANS**

**BDO LLP**

e: [allan.evans@bdo.co.uk](mailto:allan.evans@bdo.co.uk)

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Services Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

BDO LLP is the Data Controller for any personal data that it holds about you. We may disclose your information, under a confidentiality agreement, to a Data Processor (Tikit Ltd)

To correct your personal details or if you do not wish us to provide you with information that we believe may be of interest to you, please contact Mandip Dulay on 020 7893 3515 or email [mandip.dulay@bdo.co.uk](mailto:mandip.dulay@bdo.co.uk)

Copyright © July 2011 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

