



POSITIONING THE CLOUD FOR GLOBAL SERVICE EXCELLENCE

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YAHOO!

Positioning the Cloud for Global Service Excellence

Yahoo! is one of the world's largest Software as a Service (SAAS) consumer high-tech companies, but despite a nearly ubiquitous awareness, its business model may still be surprising to many in the services industry. According to Brad Smith, Vice President, Global Customer Excellence at Yahoo!, "Our company best fits into a classic Business-to-Consumer (i.e., B2C) model and, as such, is quite different than other services organizations. The big delta for us is we're a free support service against a free product. We've built 'cloud based' products/properties that service the needs of over 600 million global customers over the past 15 years, while selling advertising to that same customer base – these have been major factors contributing to our overall growth. What's really interesting to me though is how similar the challenges of customer support are, compared to the traditional Consumer and Enterprise support companies I've worked at in the past".

Smith goes on to identify two major trends that are dominating the way in which the company conducts its business; namely, SAAS and Cloud Solutions. Yahoo! basically operates on a cloud-based model where its customers consume multiple properties, each with their own revisions. As such, the company finds that it must operate with 4-1/2 "9s" to 5-1/2 "9s" availability in order to support its customers - and all free of charge, no less! According to Smith, the classic B2C problem is High Volume/Low Complexity support at scale; "Last year we serviced over 8 million Assisted Technical Support contacts and over 250 million self-service sessions (mostly focused on 'how-to' topics). At that volume we can't afford to release low quality product types."

As a result, Yahoo!, and its peers, find themselves in a fairly unique position compared to the more "traditional" services organizations (i.e., "break/fix", Low Volume/High Complexity, or software support Business-to-Business/B2B organizations, etc.) in that they operate almost exclusively in a B2C environment. Unlike this continually evolving model, the classic B2B model is one where the customer (i.e., the Business) buys a technology asset, deploys it on-site, and pays for its use and maintenance on an ongoing basis (i.e., through Service Level Agreements, maintenance contracts, or on a Time and Materials/T&M basis).

However, in the SAAS/Cloud model, there is no customer ownership of the software platform; no need for periodic patches or "workarounds"; and no future "roadmap" for systems upgrades, migrations or re-engineering. Rather, the customer is simply required to pay a monthly fee for the service, including unlimited use of the solution tools. All internal maintenance, upgrades, and "fixes" are mostly transparent to users in an SAAS, or Cloud-based offering. In addition, all technical support is provided via multiple options, including phone, e-mail, chat, or Web-enabled self-help.

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In this way, the Cloud has become the great "equalizer" for B2C solutions vendors, like Yahoo!, to provide their customers with a portfolio of state-of-the-art offerings that are easy to access, easy to use, and accompanied by a full measure of customer service and technical support that can focus on usability issues rather than installation/patch/configuration issues.

Smith also believes that the Cloud-based B2C model has "shattered" the traditional B2B support model as many businesses find it either too difficult, too expensive, or both, to transform their customer base and service/support operations to a SAAS, or Cloud-based platform. For others, it is often a "tired" or outdated corporate mentality that typically holds the company back.

For example, it may be very difficult for a services organization that has been in existence for a long time, offering its customers a "metals"-based service and support agreement (i.e., Platinum, Gold, Silver, Bronze, etc.) to "suddenly" move to an environment where these bullion-based distinctions in service delivery no longer apply; that is, an environment where every customer receives the same level of service and support, regardless of classification, all made possible through the "cloud".

Smith goes on to say that "Historically, the value of service was predicated on metrics such as response time, SLA performance and the like, where an example of good performance for a "Platinum" customer typically included something like one-hour on-site response, a 4-hour fix, and follow-up "live" telephone support, sometimes at an cost of up to 6 or 7 figures a year – or more. For a "Bronze" customer, good service may have been nothing more than same-day response, next-day fix, and "pay-per-call" follow-up support. However, in today's cloud-based environment, this historical model no longer works because the technology allows fully supported service delivery to all classes of customers (i.e., B2B or B2C) regardless of the value of the customer's "metal" agreement.

Yahoo!'s Cloud-based B2C model now focuses on a teaching, rather than fixing, approach with the goal of driving deeper engagement with Yahoo! and its product feature sets through video tutorials for its flagship products. In this model the customer may not necessarily want to wait for some disembodied voice – or "chat" – to be the main driver for an answer. In the Yahoo! world, the customer generally likes to perform the research to provide the answer to a problem themselves - and the beauty is, all of the technology, tools and access that the customer needs to be self-supportive are already in place. It's the classic "fishing rod, or the fish" situation – and the customer overwhelmingly elects to use its cloud-based fishing rod.

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Further, the Yahoo! model continues to invest in providing customers with solutions-based on-boarding support, rather than merely a series of *ad hoc* situational, or event-related problem-specific fixes. In other words, it provides the tools that allow first time customers to resolve the entire problem, rather than merely providing a mix of time-specified responses, one-off fixes, and limited follow-up support that essentially hold the customer hostage to things like telephone busy signals, lengthy hold times, trying to find the right person to speak to, and the like.

Finally, the Yahoo! model is based on a delicate mix of outsourcing and off-sourcing to foster an environment of immediate, or real-time, satisfaction for the customer, rather than a lengthy period of "hold time" – an environment where product, technical and solution support is "always open", and the customer is the master of its own domain. In this way, through a combination of teaching, solutions-level on-boarding support, and outsourcing/off-sourcing, the Yahoo! customer is supported 24x7, and is totally in control, beholden to no one with respect to anything from a small inquiry to a major service initiative. Employing this type of Cloud-based B2C approach essentially raises the service delivery bar for the organization, and elevates the customer to a newer, higher – and more appealing – level of service value.

Further, Smith says, "in the Consumer world, the brand is the thing. To succeed in this world, Yahoo! has made it its mission to solve customer issues, and not merely to execute a fix. Company management believes, rightfully so, that it has to produce an incredibly high quality product, and that it needs to get it right the first time – no bugs, no glitches, no customer dissatisfaction".

In the traditional B2B environment, too often the customer is saddled with an inferior product, finding itself overly dependent on the service and support of a designated OEM or authorized service agent that is oftentimes focused myopically on individual areas of service rather than on solutions-based support. As a result, the customer may also find itself looking at incredibly complex annual service level agreements defined by high ticket prices and only limited coverage. However, in the Cloud-based B2C model, every customer benefits from a cloud-based solution, and every customer has the same "footprint".

Quality is always top of mind in the B2C model, and every customer's needs can be met through a consistent and homogeneous feature set comprising the overall services portfolio. Performance is guaranteed, regardless of level of use or throughput (i.e., no more "metals"); the system is easily maintained, upgraded and "patched" by the solution provider in a totally transparent manner; and any incident requiring support may be isolated and dealt with directly to resolution.

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The Yahoo! model is also one where the company takes great pride in knowing who its customers are through an examination of their usage patterns, applied algorithms, and the ability to anticipate their needs via these and other tools. Its customers typically rely on self-support first (i.e., by preference), or rely on talking to, or chatting with, a peer before escalating their problem to a Yahoo!-assisted support event. In the B2B world, the customer would, instead, be required to initiate a service call that would create a log ticket, and then, "roll the dice" as to whether they would receive a prompt response, a quick fix, or anything else solely at the hands of service provider.

Again, through the Yahoo! approach, the customer can get its answer, its fix, its solution specifically in the way it wants to receive it. It can also build and/or participate in grass roots peer support communities that can provide support on an ongoing basis. In this way, every customer is handled based on its individual preferences for its flagship properties (i.e., if they prefer e-mail contact, they receive their support that way; same for chat support, etc.). As such, Yahoo! continuously reminds itself that, "We are the Ambassadors of the Brand for the entire customer life cycle" and that carries a great responsibility that the company strives to meet on an everyday basis. The need to do so is also constantly being reinforced by the recognition that B2C customers are typically more prolific in terms of their familiarity and use of social media tools such as Facebook, Twitter, LinkedIn and others. As a result, everything that the B2C vendor does in support of its customers must be done well, transparently, and without incident.

A typical B2C customer base is also one that is generally comprised of smart, well-informed individual customers using more than just a single vendor's products and services. In fact, there is generally always a "shared wallet" at stake with respect to the vendor's relationship with a customer from this segment. As such, the influence of the B2C explosion can pose potential risk factors for many of the traditional services vendors that are ignoring the impact of this emerging customer relationship model in that they may have become too complacent in dealing with a seemingly static customer base whose needs, expectations and requirements for performance have outgrown their vendors' capabilities.

The emerging B2C class of customers has thrust an entirely "new" set of services requirements and expectations to their vendors of choice, while the traditional B2B vendors are still typically wrestling with issues such as product-service sales pull-throughs, contract attach rates and service contract renewals, time-based service delivery performance, customer churn, and the like.

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While the newer, somewhat "fresher" B2C vendors also face their own set of common and unique pressures, they are generally exempt from having to deal with many of the traditional B2B pressures. Nonetheless, they still have their own issues to deal with, which, according to Smith, includes recognizing that "the individual is the new currency of measurement in the assessment of the use of a vendor's services" and that, as a result, they will be expected to "foster an environment where there are opportunities for their customer to co-create with them".

In his experience at Yahoo!, Smith has also seen customer behavior typically defined in terms of:

- Average Self-Service online sessions lasting 3 minutes or less;
- 2-1/2 page views;
- Receiving the solution via e-mail or chat, or fixing the problem themselves.

To deal with these issues, Yahoo! defines its customer base in terms of four distinct groups focused on their use of Yahoo!'s products & services:

- Tourists
- Light Users
- Medium Users
- Heavy Users

By leveraging the cloud-computing platform, Yahoo! can track the usage, behavior, spending and online duration patterns of each of these classes of customers, using highly sophisticated tools and algorithms designed to measure and track average revenues per customer, customer churn, and customer buying/spending behavior. Yahoo! can then use these tools to evaluate and assess its service performance by focusing on key areas including how to convert Tourists to Light Users, Light Users to Medium Users, and Medium Users to Heavy Users. The company can also track customer "signature behaviors" for each group in order to systematically predict, compare and assess usage patterns, and monitor the "disengagement signatures" to determine the root causes behind customer churn.

"Leveraging these cloud-based customer user behavior insights in a support/services framework allows us to play some cool games", according to Smith. For example, the company can monitor a Medium User that is transitioning into a Heavy User in real time, and "pop-in" a proactive chat session or other pop-in activity to assist the user.

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Should a Yahoo! user be hit by a phishing attack, Yahoo! can also jump in almost immediately to offer a proactive support pop-in to mitigate the problem before it causes any damage to the user's system. Yahoo! management believes that its real-time access to tracking users' behavior serves both to enhance already positive customer experiences, as well as prevent negative customer experiences – all on a completely transparent basis to the user!

For the services provider, the choice needs to be made up-front: does it want to provide “good value” or “bad value” to its users? Good Value comes from understanding the customer's needs, and providing the support that empowers its ability to get the job done, while enjoying the fullest consumption of a product or service feature set. Bad Value comes from a classic B2B Enterprise Maintenance & Support contract that regulates the speed of servicing a customer break/fix request against price paid. For Yahoo!, the choice is simple: its focus is squarely on the customer, where it is the Yahoo! mantra to “Monitor, mentor and assist customers in receiving and perceiving value from Yahoo!.” With its technologically sophisticated customer signature assessments conducted in real time, Yahoo! will be able to ensure that its users are continuously – and consistently – receiving the proactive service and support they require at all times, without either impeding the process, adding time to the transaction, or unduly impacting the situation.

Yahoo! is a company that continuously benchmarks its performance against key industry segments. According to Smith, “The benchmarking process is incredibly valid”. His advice to services organizations of all types is that, “It's time to stick your head out of the foxhole to see how the winners are working”. However, even he admits that “nobody's really measuring the impact of social media yet – because they don't know how”. With the dual impact of social media ecosystems and influence, the service and support world is no longer just “black and white”; there are many levels of gradation that ultimately determine how successful services organizations are likely to be at the end of the day.

Smith's key advice to services organizations today? “Watch what people (i.e., not only your own customers) do. Monitor and track their behaviors and preferences – in near-real time, if possible – to see how they use your products and services, how their ‘signatures’ may be shifting or evolving, and where you may need to ‘pop-in’ to leverage an opportunity for stronger partnership, or simply fix or pre-empt a problem”.

“Your customers' behavior will either reflect or betray their loyalty”, according to Yahoo!'s Smith. “Observing peoples' actual activity and how much of your product or service they consume, is a far far better measure of success than merely conducting a survey alone; although both efforts coupled together will give you a much clearer picture of where your company ultimately stands.

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