



THE  
NORTHRIDGE  
GROUP



# The State of Customer Service Experience

FIRST OF A TWO-PART SERIES

## Part I: Customer Issue Resolution

2023

# Executive Summary

Providing excellent Customer Experiences is essential to the survival of all businesses, but it can be difficult to understand the nuances of how interactions with a company impact customers both positively and negatively.

Customers look at their experiences with a company as a combination of all the contacts they make across channels to resolve their issues. Companies that learn to deliver a seamless, personalized experience across all channels will have a competitive advantage.

To find out what customers really think about the experiences they have interacting with companies and to determine whether their impressions are in sync with what the leaders of those businesses perceive about the level of service they provide, we conducted parallel surveys with customers and business leaders. This is the seventh time The Northridge Group has conducted a “State of Customer Service Experience” study and the fourth time we have surveyed business leaders. Our report provides insights that business leaders can use to improve the Customer Experience at their organizations.



## Research Highlights:

### Part I: Customer Issue Resolution

- + Customers still prefer to contact companies by phone, but companies are showing a strong preference for customers to contact them digitally. Live agent chat is gaining popularity because it is usually easy to access and available quickly, while phone wait times are often long. An understanding of customer demographics and channel preferences is essential for business leaders looking to prioritize their investments to improve Customer Experience.
- + Customers do draw a distinction between reaching a company and having their issues resolved. Customers want to resolve issues quickly and they view human-assisted channels as the fastest. Survey respondents report that they receive the **fastest response** as well as **the fastest issue resolution** from the phone and live agent chat channels.

# Part I: Customer Issue Resolution

## Section I: The Importance of the Human Touch

- + Most customers still prefer to contact companies by phone, but an increasing number now view live agent chat as a reliable alternative. The beauty of **live agent chat** is that it provides the human touch customers are looking for, yet, in many cases, provides faster issue resolution than the phone.
- + While customers overall still prefer to reach companies by phone, **32%** of those aged 18-35 prefer **live agent chat** over the phone. This generational shift indicates that **live agent chat** will likely continue to gain dominance over the next few years.
- + Customers are becoming increasingly comfortable with digital platforms and other online options. The percentage of customers who plan to continue shopping online post-pandemic has **increased 11 points** from **68%** in 2020 to **79%** in the current survey.
- + Customer expectations for online self-service options and 24/7 customer service availability are rising. Only **11%** of customers say they have more tolerance than they did 1-2 years ago for slow and/or inefficient customer service brought on by the hardships that companies have experienced.

## Section II: Response vs. Resolution

- + **71%** of business leaders report that their Voice of Customer (VoC) and/or quality data indicate that Customer Experience at their companies is better than it was 1-2 years ago. Yet only **67%** of customers say companies make it easy or very easy to get customer service issues handled efficiently.
- + Most respondents now say they will only wait **a few minutes** to make a second contact if their issue is not resolved. This marks a change from our 2019 survey when most respondents said they would wait **a day**.
- + Customers want to resolve issues quickly and they view human-assisted channels as the fastest. However, customers acknowledge that digital channels such as web self-service, mobile apps, chatbots, and text messages are becoming faster.
- + Customers report that they receive the fastest response as well as the fastest issue resolution from the phone and agent chat channels.

The State of Customer Service Experience

# The Importance of the Human Touch

When it comes to issue resolution, customers today still overwhelmingly value the human touch.

As companies continue to encourage customers to reach them through digital channels, live agent chat is emerging as a happy medium between calling a company and engaging in self-service options. Younger customers were the first to fully embrace this channel, but customers of all ages are catching on to the benefits of chatting with live agents. It is increasingly viewed as an opportunity to get human assistance and quick issue resolution without waiting in a long phone queue.

Over the past few years, many companies have been hit hard by supply chain shortages and employee attrition brought on by the Covid-19 pandemic. Customers were tolerant of the hardships faced by businesses at first, but our research indicates that their tolerance is now waning. Companies must find ways to make issue resolution easier, but many companies are still facing obstacles and are not adequately prepared.



## Channel Use/Preference

Our research indicates that while the phone still dominates as the preferred channel for customer service inquiries and issue resolution, live agent chat is catching up.

When faced with the need to contact a company, customers continue to prefer the [human touch](#). The phone is still the preferred channel for customer service inquiries with **44%** of customers reporting it is their first choice. However, online chat with live agents is gaining popularity and, in some cases, replacing the phone as the preferred channel for quick responses and easy issue resolution. Chatting with live agents is often faster and easier than reaching out by phone, yet it still provides the human interaction that customers seek. Northridge research indicates a definitive increase in customer preference for resolving customer service issues by chatting online with live agents. **25%** of respondents to our current customer survey indicated they preferred live agent chat over other channels, an increase of **8 percentage points** since our 2019 survey.



**44%**

of customers say the phone is their preferred channel for customer service inquiries.



**25%**

of customers prefer live agent chat over other channels. This is an increase of 8 percentage points since 2019.



**62%**

of businesses have made the live agent chat option available to their customers.



**38%**

of business leaders say their companies are currently prioritizing investments in live agent chat.



**Mary Kane**  
Managing Principal,  
Healthcare

*In today's omnichannel environment, one of the most critical challenges healthcare organizations face is responding to patients who move rapidly from one channel to another as they engage with customer service to schedule appointments or resolve issues.*

Our research also indicates that **62%** of businesses have responded to this trend by making the live agent chat option available to their customers and **38%** of business leaders say their companies are currently prioritizing investments in live agent chat. This is a great start, but there is still room for improvement here.

Despite our findings that many customers still prefer to contact companies by phone, many companies are discouraging customers from calling in favor of digital options. Many organizations either do not list their phone numbers on their websites at all or bury them to make them difficult to find. In many cases, the "contact us" button leads to an email or form as opposed to a phone number. At the same time, those who offer live agent chat have made it quick and easy to access and often offer extended hours. While this trend may lead to short-term cost savings, discouraging customers who want to call from doing so can lead to significant customer frustration. This, in turn, can result in poor Customer Experiences and possibly the loss of customers. [Customer contact options](#) must be handled strategically and with Customer Experience as a key objective.

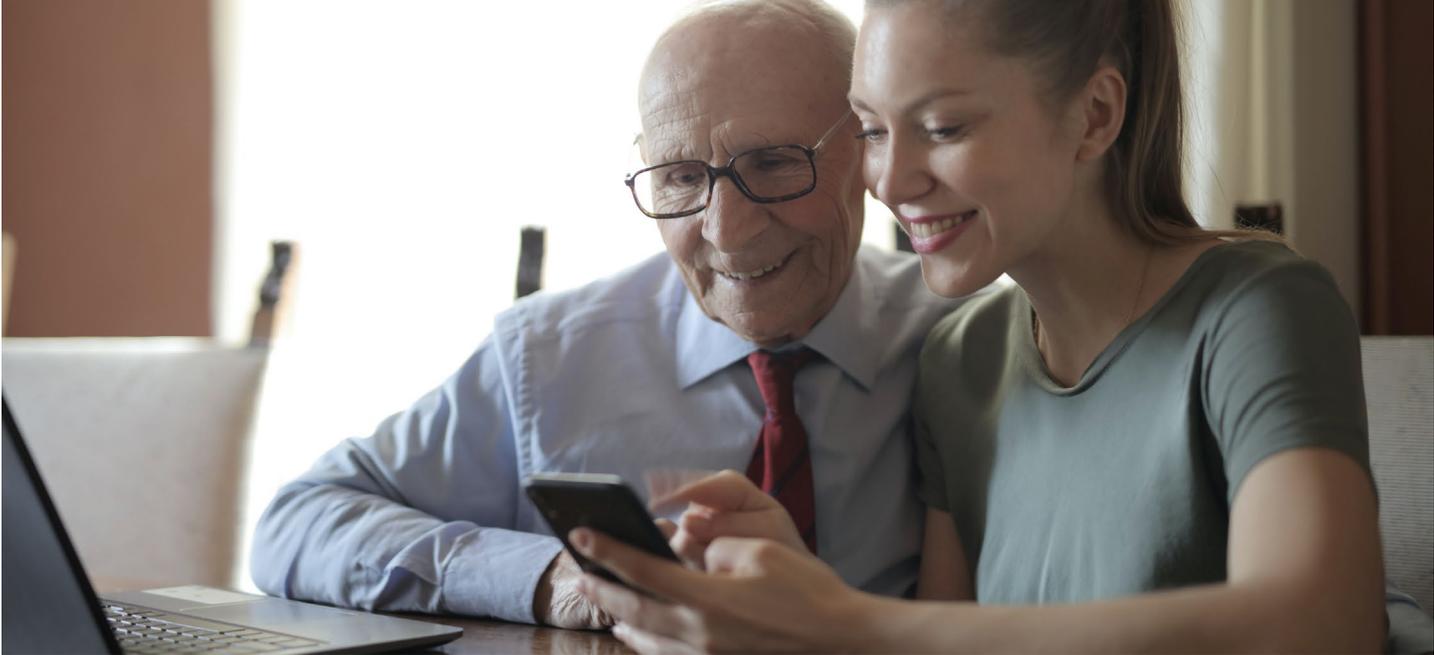
It would be inaccurate to assume that the time it takes for issue resolution is the length of a customer service phone call. In many cases, the patient may have been trying to self-solve their problem on the digital platform for hours, days, or longer before calling to seek human assistance.

When the patient reflects on how long it took them to [resolve their issue](#), they will undoubtedly view it as the time it took them across all channels. Healthcare organizations must adjust their AHT metrics accordingly and be sensitive to the total amount of time and effort their patients must invest in issue resolution.

Patients should be able to use their preferred communication channels, such as email, calls, video chat, SMS, live chat, and social media to seek assistance. The onus is on healthcare organizations to meet each patient on their channel of choice and provide excellent support that follows them from channel to channel.

The human touch is important. In addition to providing a [sympathetic ear to all issues](#) that arise, healthcare contact center associates must always be mindful of the fact that the patient may be in a difficult medical situation and that timely issue resolution may impact the patient's health outcome.

Providing outstanding omnichannel service will lead to patient engagement and loyalty, [frontline associate retention](#), and ongoing business growth.

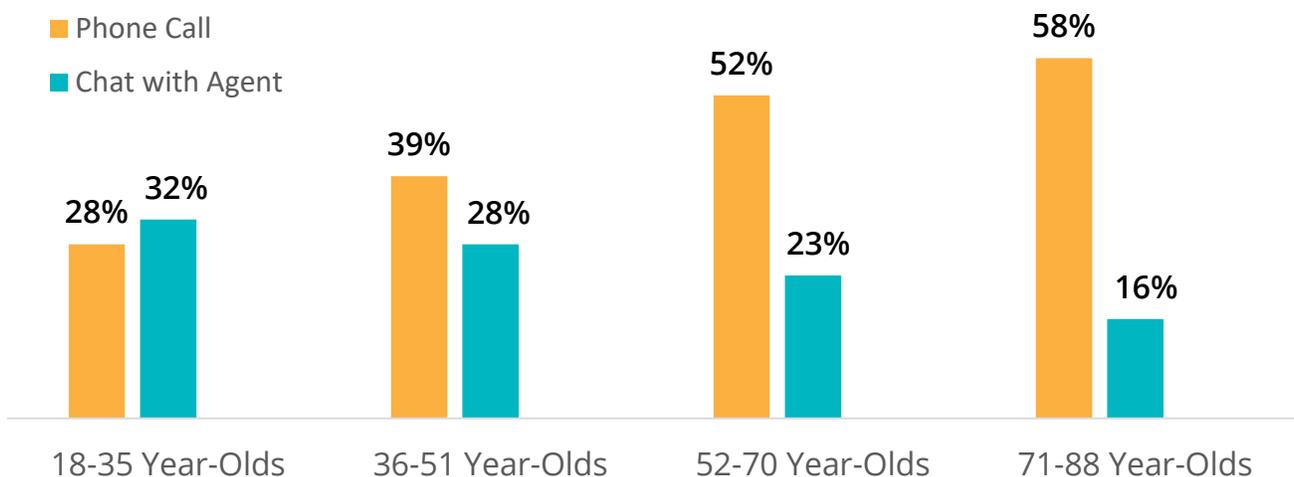


## A Generational Shift is on the Horizon

Our survey findings indicate a direct correlation between the preference for live agent chat and age.

Chat with agent is the preferred contact channel for younger customers. Among respondents aged 18-35 years old, **32% selected chat with agent** as their preferred channel while only **28% picked phone** as their preferred channel. In sharp contrast, despite longer wait times, the phone remains the dominant preference among older age groups, with the gap between phone and chat with agent increasing with age. This generational shift is a predictor that chat with agent will continue to become more dominant over the next few years.

Preferred Channels by Generation

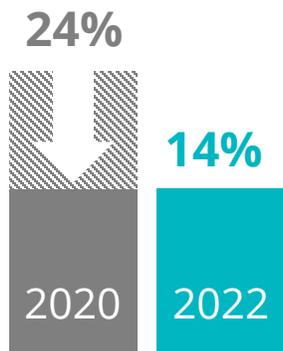


**Chat with agent** has overtaken the phone call with younger generations.

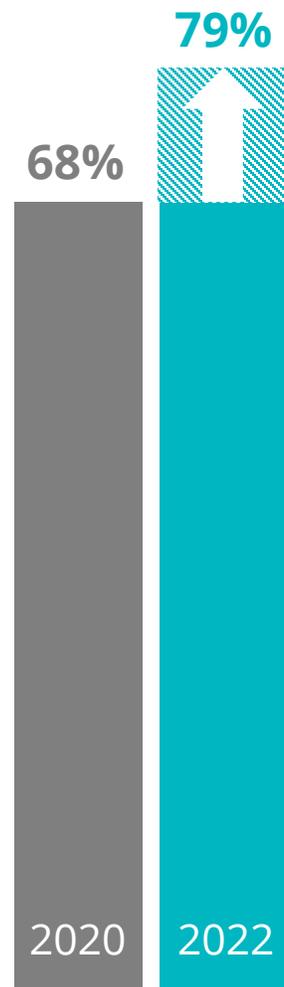
## The New Normal: Comfort with Online Options is on the Rise

As [digital platforms](#) become the new norm and people adjust to doing everything online from shopping, to banking, to making healthcare appointments, fewer customers want to move away from online options.

The percentage of customers planning to continue shopping online post-pandemic has increased by **11 points** since our 2020 survey:



**Only 14%** of customers now say they will shop online less post-pandemic, this is **down from 24%** in 2020



**79%** of customers now say they will continue to shop online at the same level or more post-pandemic, this is **up from 68%** in 2020.

## + NORTHRIDGE **SUCCESS STORY**



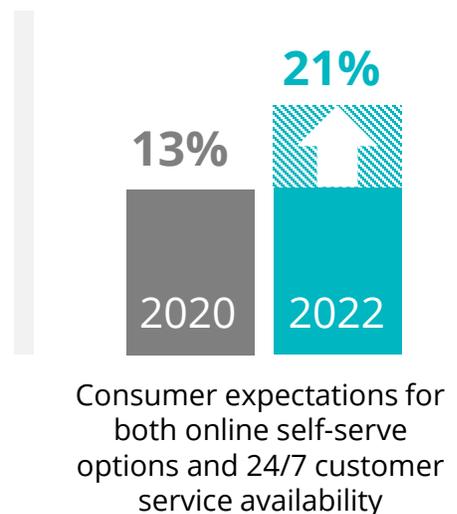
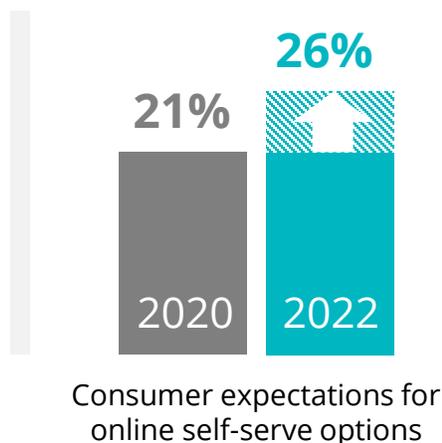
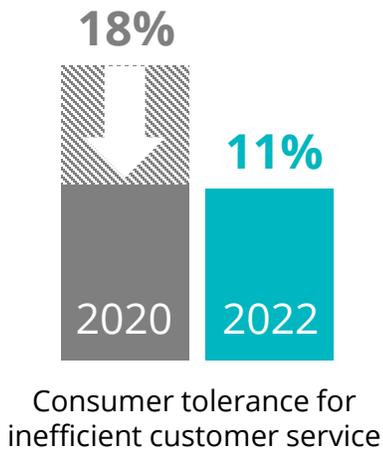
Customers are taking advantage of online options. Improving self-service options can help reduce costs and free up associates to handle more complex issues. **The Northridge Group** conducted a [Knowledge Management assessment](#) that helped a healthcare client identify opportunities to improve self-service. The improvements are projected to increase customer satisfaction and reduce targeted call volumes by **40%**, resulting in **\$1.8 Million** in annual savings.

# Customer Expectations have Increased While Tolerance has Waned

It has been widely reported that many businesses struggled to survive due to the onset of the pandemic and the supply chain and [worker shortages](#) that followed.

Our 2020 survey reflected an understanding by customers that, to some extent, inefficient customer service was inevitable. Their empathy for business owners led to tolerance for slow or mediocre service. However, our current survey indicates that customer tolerance for inefficient service is now waning.

**Only 11%** of customers reported they had more tolerance than they did 1-2 years ago for slow and/or inefficient customer service due to the unprecedented difficulties companies have experienced. This is a sharp decline from customer sentiment at the onset of the pandemic. In our 2020 customer survey, **18%** of customers reported having more tolerance. At the same time, customer expectations for online self-service options and 24/7 customer service availability are rising.



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As comfort with online options increases, companies need to make sure they are optimizing their online and self-service experiences. Doing so can create a better Customer Experience while reducing costs. **The Northridge Group** helped a leading healthcare company with a [customer service transformation](#) that resulted in the rectification of website usability issues, leading to self-service savings and reduced customer effort. Our recommendations drove **\$70 Million+** in operating savings including **\$18 Million** that was directly related to self-service.

## The State of Customer Service Experience

# Response vs. Resolution

When it comes to choosing a channel for contacting a company about a customer service inquiry, the fastest response time should not be confused with the fastest issue resolution.

Among our clients, The Northridge Group has found that live agent chat is gaining popularity among customers, presumably because live agents usually respond quickly via chat, while phone wait times can be quite long. Business leaders have taken notice of this and are gaining interest in live agent chat because they believe it is more cost-efficient than phone calls.

We have found that live agent chat can be faster and more cost-efficient than phone calls, but **only** if it is implemented correctly and tracked consistently which doesn't always happen. While the wait times for reaching an associate by phone are usually longer than for chat, after the associate responds, chat can take up to **50% longer** because the associate is likely fielding multiple chats and not giving each customer their undivided attention.

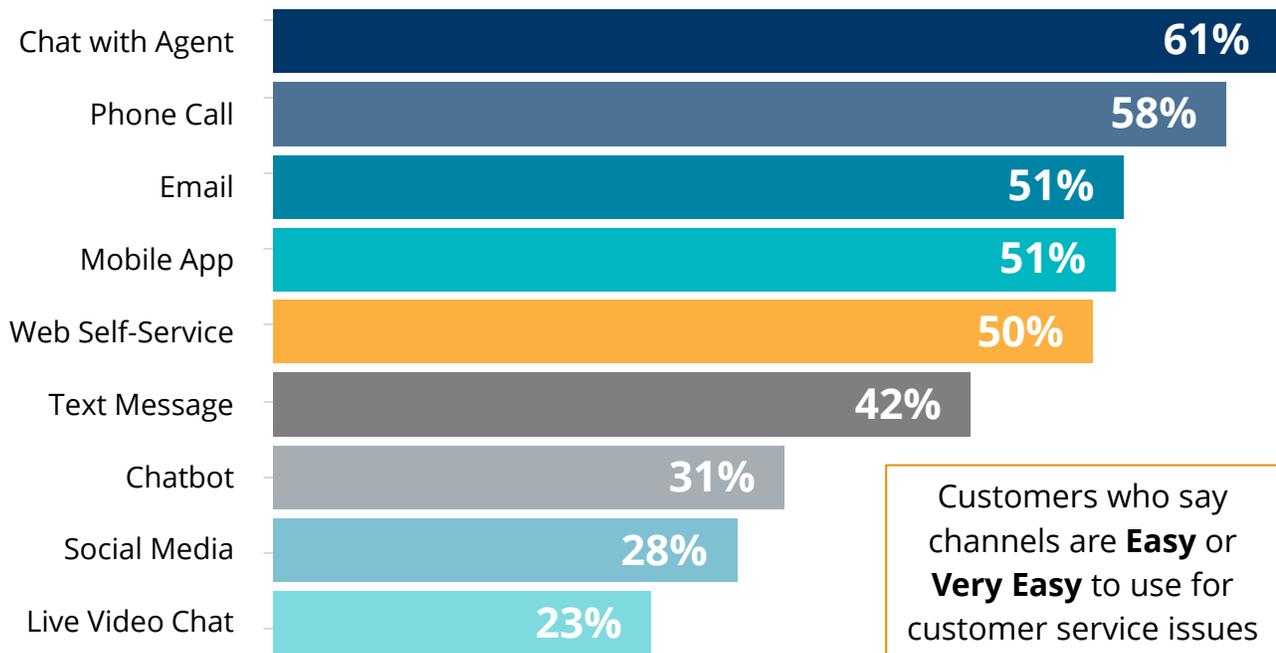
Customers want to resolve issues quickly and they view human-assisted channels as the fastest, but the speed of issue resolution is ultimately more important to them than the speed of response. Most respondents reported that they will only wait **a few minutes** to make a second contact if their issue is not resolved in their first contact. This increases the chances that they will tie up two associate-assisted channels with the same inquiry which is inefficient and costly. It is worth the investment to ensure that live agent chat channels are implemented and tracked according to [best practices](#) so that customer issues can be resolved quickly, minimizing the need for repeat contacts.

# Issue Resolution Should Be Easier!

## Live Agent Chat May Be the Key

**71%** of business leaders report that their [Voice of Customer \(VoC\)](#) and/or quality data indicate that Customer Experience at their companies is better than it was 1-2 years ago. Yet only **67%** of customers say companies make it easy or very easy to get customer service issues handled efficiently.

### Customers Give **Live Agent Chat** Highest Marks for Ease of Use



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Customers want to talk to a real person, but it doesn't matter how good the associate is if the customer can't get to them. Customers will become frustrated if routing doesn't work correctly. **The Northridge Group** helped a large healthcare insurance agency realize significant savings with an IVR redesign. [Northridge recommendations](#) resulted in **76%** of retail members reporting that they were either "very satisfied" or "somewhat satisfied" with the IVR call authentication process.

## Issue Resolution Should Be Faster!

Customers want their issues to be resolved quickly. Since phone often requires long wait times and live agent chat is often perceived as a faster option, demand for live agent chat is growing. Most respondents now say they will only wait **a few minutes** to make a second contact if their issue is not resolved. This marks a change from our 2019 survey when most respondents said they would wait **a day**. This is troublesome because it increases the chances that a customer will tie up two associate-assisted channels with the same inquiry which is inefficient and costly.

How long **customers say** they will wait to make second contact



Business leaders agree that customers are not waiting as long as they once did to make their second contact.

The real question is whether they are investing at the right level to improve First Contact Resolution.



**Jeff Quinn**  
Managing Principal,  
Technology, Telecom & Media

*Repeat calls are a sign that a contact center has deficiencies that can stem from inadequate training, poor associate behaviors, inefficient business processes, or unaddressed feature or function issues with the underlying products or services.*

Repeat calls drive up operational costs, indicate a negative Customer Experience, and can lead to increased customer churn. Focusing on First Contact Resolution (FCR) is critical for contact center success. However, to reduce repeat calls, it is essential to figure out what is driving them in the first place. While the root causes of such problems are extremely ambiguous and often difficult to decipher, identifying the drivers is the first step toward reducing repeat calls.

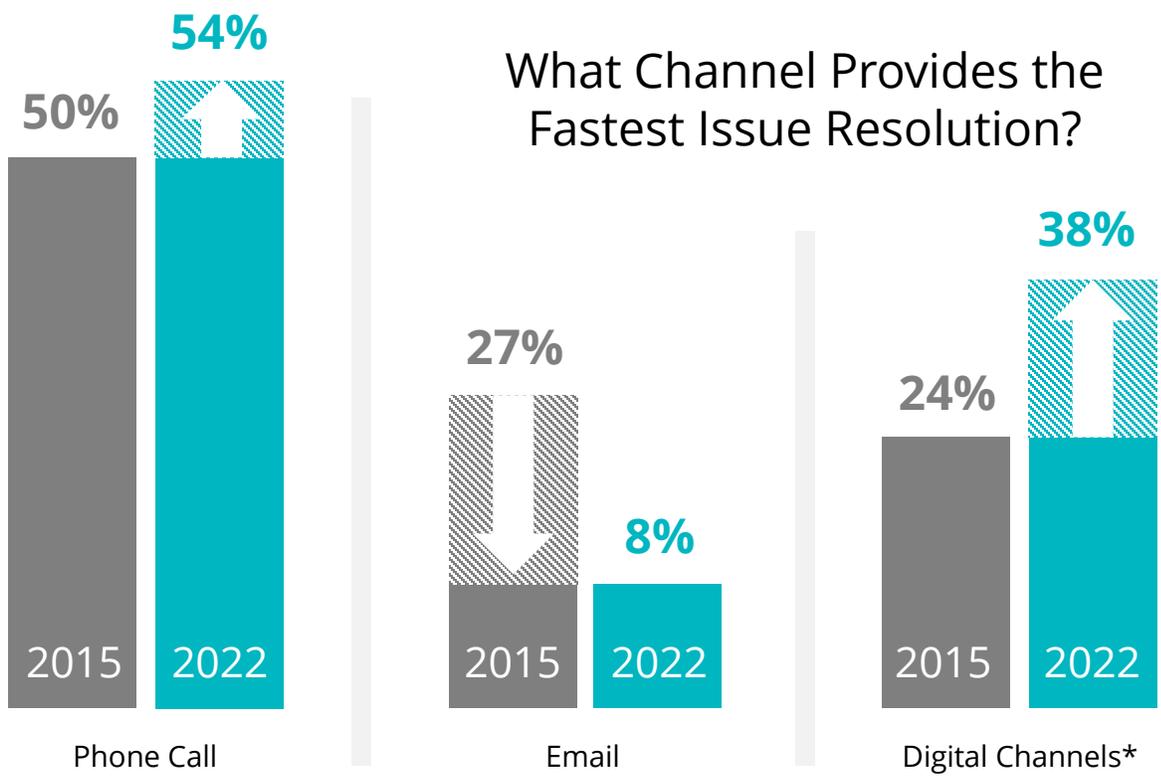
The best way to identify the drivers of repeat calls is to conduct a root cause analysis, leveraging data to identify the process, systems, and/or behaviors that are failing. Uncovering the root causes of repeat calls makes it possible to redesign the customer engagement leading to an improved experience, reduced costs, and increased retention.

Achieving an acceptable FCR level as well as tolerable average handle times (AHT) is always a balancing act for contact center managers. Often resolving an issue during the first call necessitates a longer than acceptable handling time. To optimize operational efficiency, cost reduction, and Customer Experience, contact centers must determine the optimal balance between FCR and AHT for their organization and set realistic goals. Fortunately, with the right processes in place, contact centers can often leverage their data to achieve this delicate balance. Identifying the exact causes of repeat calls and determining solutions for those drivers is key to reducing the calls and improving the Customer Experience.



# Customers Want to Resolve Issues Quickly. Digital Channels Are Becoming Faster.

Customers want to resolve their issues quickly and they view human-assisted channels as the fastest. However, customers acknowledge that digital channels such as web self-service, mobile apps, chat, and text messages are becoming faster.



\*Digital Channels are defined as social media, online chat, text, mobile app, web self-service, and live video chat.

# Human-Assisted Channels Offer Both the Fastest Response and Fastest Issue Resolution

Customers report that they receive the fastest response as well as the fastest issue resolution from the phone and live agent chat channels.

The speed of issue resolution is ultimately more important to them than the speed of response. While only **49% of customers** agree that the phone offers the fastest response, **54%** believe that the phone offers the fastest resolution. While the wait times for reaching an associate by phone are usually longer than for chat, after the associate responds, issue resolution by phone can be faster than chat because associates generally field one call at a time but often field multiple chats.



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Having the wrong metrics tied to associate performance can cause associates to rush calls and deliver poor customer service. Metrics tied to customer satisfaction rather than Average Handle Time (AHT) can be a better approach to ensuring great Customer Experiences. **The Northridge Group** helped a Fortune 100 enterprise understand how these issues were impacting their First Contact Resolution (FCR) rate and Customer Experience. Northridge's recommendations for [improved metrics and vendor management](#) resulted in a **28%** improvement in FCR and **\$10 Million** in annual cost savings.

# In Summary

Customer loyalty is a reward that is earned by companies that learn to consistently provide exceptional experiences for their customers.

Today, as so many businesses struggle to overcome a host of hardships and obstacles such as supply chain shortages and staffing difficulties, it is more important than ever for business leaders to ensure that the customer service they offer is worthy of their customers' loyalty to their products, services, and brand. In the long run, attention to customer service is always a good investment. We sincerely hope that the survey results shared in this report will provide insights that business leaders across all industries can use to [improve the Customer Experience](#) at their organizations.

The Northridge Group's **2023 State of Customer Service Experience Report** is a two-part series:

**Part I:** Customer Issue Resolution

**Part II:** Business Investments vs. Customer Preferences

**More Insights to Come!**

Don't miss the next report, coming soon!

## Survey Methodology

The Northridge Group's "State of Customer Service Experience 2023" study surveyed 1,000 U.S. customers over the age of 18 on a variety of Customer Experience issues. In parallel, 250 U.S. business leaders were surveyed on the same or similar issues.

### **Customer Survey**

N = 1,000 U.S. Customers over the age of 18  
*Survey conducted in July 2022*

Customers were surveyed on their Customer Experiences, their channel preferences; their expectations and experiences with response times, issue resolution by channel, and customer effort; as well as their views on self-service tools and corporate investments for improving Customer Experience.

### **Business Leaders Survey**

N=250 U.S. Business Leaders at companies ranging from small/mid-size to multi-billion-dollar global enterprises  
*Survey conducted in July 2022*

Business leaders were surveyed on their opinions regarding Customer Experience, customer channel preferences, channel effort and speed, and customer service metrics, as well as their views on self-service tools and investments for improving the Customer Experience.

This is the seventh time The Northridge Group has conducted the "State of Customer Service Experience" study and the fourth time we have surveyed business leaders. Surveying customers and business leaders in parallel, allows us to identify critical gaps between customers' expectations and companies' abilities to deliver a seamless and effortless omnichannel customer service experience.

To learn more about the Customer Experience trends we have tracked over the years, download our previous [\*\*Customer Service Experience reports\*\*](#).



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