ZEN REPORT PRODUCED IN ASSOCIATION WITH COMMS DEALER

This paper exposes a high degree of operational and service level stasis in the comms channel. What are the root causes? And how can they be overcome?

Building powerful

service strategies

Insights that could give you an edge

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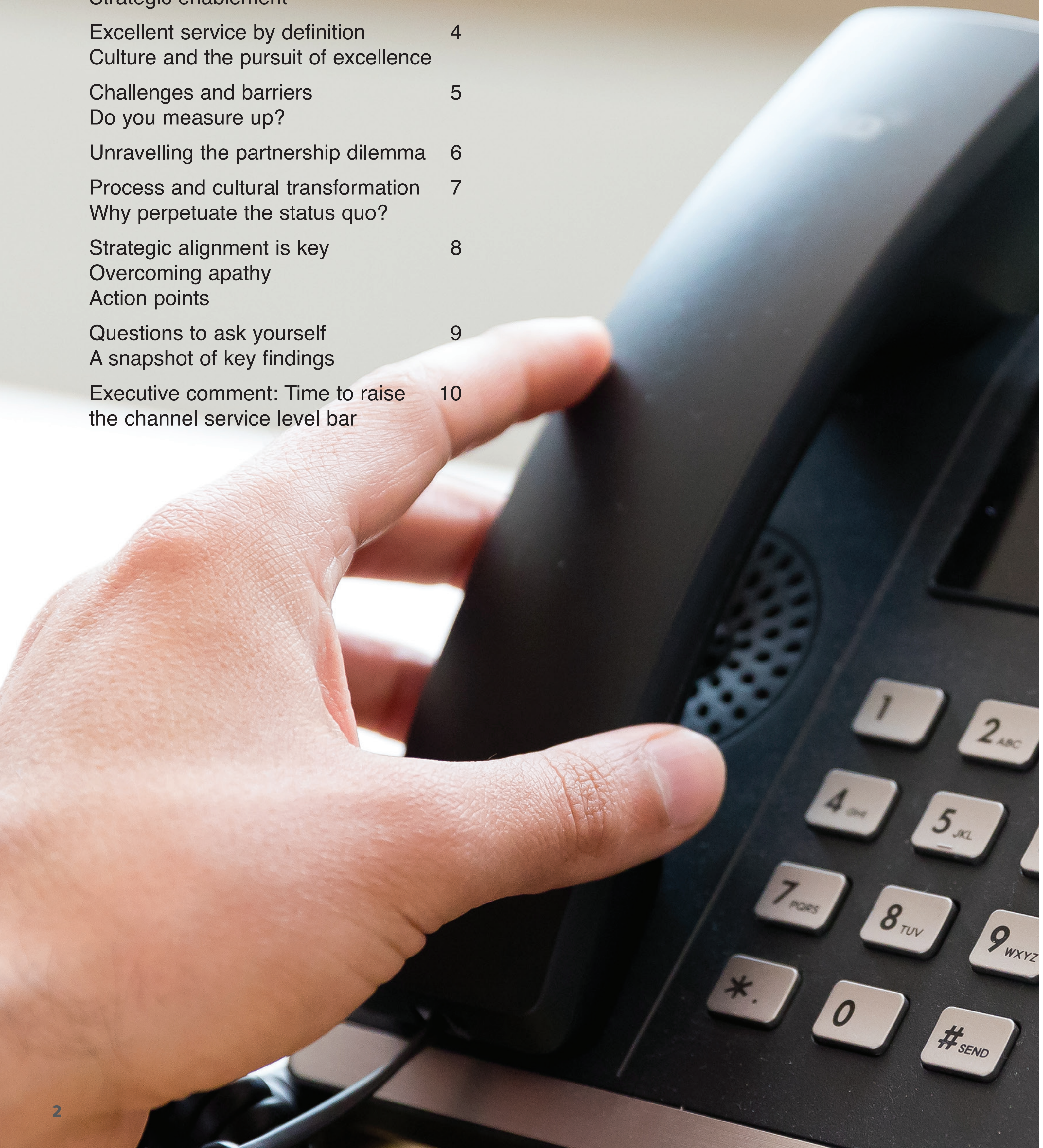

Executive Summary

The data which forms the basis of this research study was derived from extensive telephone interviews with 150 executives of channel organisations during June and July 2020 (ICT resellers, SIs, MSPs and ISPs of all sizes, the majority up to £5 million revenue firms ranging up to £20 million-plus). This paper is based on over 5,000 statements and the distillation of these responses form what we believe to be the most thorough research into the current state of service in the UK comms channel.

The intention of this paper is to determine a better understanding of the dynamics that influence operational and service levels and identify ways to improve standards. We found that service excellence has no single determining driver and is achievable only by actioning strategies linked to the interrelated transformation factors that feature prominently throughout this report.

Interconnected priorities

This research document sheds light on the comms channel service-scape in many ways: It emphasises the inter-relation of multiple factors that underpin service excellence; it identifies the service and operational challenges that channel organisations face; it points to the root cause factors that impact service level status; and identifies new opportunities for channel organisations to improve the effectiveness, efficiency and the relevance of service extended to partners and end customers when the following interrelated transformation factors are actioned.

Key transformation factors

- Overcoming legacy mindsets and processes
- Optimising strategy and agility
- Improving leadership and decision making
- Nurturing organisational culture
- Achieving operational excellence
- Restrategising channel partnerships
- Meeting opportunities with intent

Strategic enablement

For the majority of respondents the quest for operational excellence involves leadership and cultural transformation, which provides the strategic enablement required to perform optimally – a marriage of insight, good decision making, people, processes and their ongoing management and improvement. Achieving operational and service excellence is a top leadership priority for almost all respondents (90 per cent), and a second level priority for the remaining 10 per cent. A strong correlation exists between customer loyalty and the reasons for wanting to improve operational and service excellence, which was cited by 62 per cent of interviewees, ahead of the next most important outcome which is to achieve productivity benefits and cost savings through being leaner and more efficient operationally (26 per cent).

The elevation of an excellent service experience above a poor one boils down to how organisations deliver it, and according to most respondents they could do better: 64 per cent say their operational and service functions need improving with almost five per cent requiring a total overhaul. The remaining 31 per cent are fully optimised and firing on all cylinders.

To help achieve their service goals, 62 per cent of those interviewed have a communication and governance structure that is intended to support and encourage continuous improvement within their business, 17 per cent plan to introduce one and just over 20 per cent do not have such processes. We have already noted that these governance structures, in the main, require improvement, a total revamp or setting up from scratch – therefore these statistics suggest that maintaining customer loyalty is a weakness for many organisations, an Achilles heel, because despite loyalty being singled out as the primary driver behind efforts to improve service, the processes designed to nurture it are acknowledged as sub-standard, totally ineffective or non-existent.

It is clear that many business excellence models may lack an effective structural architecture, including areas such as the alignment of strategy with outcomes. This also has implications for long-term sustainability.

- For almost 95 per cent of respondents the quest for operational excellence begins at the top, and the biggest leadership challenge in delivering excellence is improving the performance of decision making.
- Just 10 per cent of interviewees rate the impact of current service levels from carrier partners on their business as positive.

Excellent service by definition

The survey indicates that the scenarios outlined above could be due, in part, to confusion and a lack of focus among leadership and staff about what excellence means for their organisation. There needs to be clarity about an organisation's definition of service excellence in order to strategise it and leave staff in no doubt that service excellence is a top priority, especially in the wake of the Covid-19 crisis which has prompted over 50 per cent of respondents to look more closely at their company's performance in terms of culture, process management and its capacity to deliver operational and service excellence.

According to 42 per cent of interviewees, Covid-19 has steered them to look at raising their operational and service excellence bar, which could include becoming more flexible and orientated towards supporting home users and

remote workers. An opportunity exists for the vendors and carriers which can help partners achieve their service goals.

Culture and the pursuit of excellence

Service has an emotional impact as well as a rational one. We know naturally whether we have received a good or bad service experience, and how it makes us feel, which is what influences our loyalty or detachment. Yet despite this universal 'sense of good service', service excellence is too often difficult to deliver, so where do we need to focus our efforts? Business leaders would be doing themselves a big favour by focusing on achieving operational excellence.

The link between operational excellence and service excellence supports the requirement for process re-engineering and cultural transformation. The strategy should be clearly structured and made more tangible through culture and strongly advanced by business leaders. The primary challenge in achieving service excellence is its successful implementation. In this, leadership and managerial activities are clearly linked with a company's ability to develop and constantly improve a service-oriented business model within an agile environment that matches the needs of the market.

For the vast majority (78.5 per cent) operational and service excellence is described as a mindset, a culture that should pervade the business. For 18.5 per cent it's understood to be more about a prescribed set of tasks that people undertake. Changing, reviewing and implementing processes and communicating them through the business is the main leadership requirement for a third of respondents.

Challenges and barriers

For almost 95 per cent of interviewees the quest for operational excellence begins at the top, and the biggest leadership challenge in delivering excellence is improving the performance of decision making (44 per cent), which is a significant factor in the context of formulating and establishing service and operational strategies, before they are communicated throughout the business and brought to life through cultural transformation.

Developing a culture of operational and service discipline is the next most important challenge (27 per cent), which is a logical statistic because cultural development follows the decision making process. And in another natural next step, aligning strategy and culture is the main challenge for 20 per cent, who may have already established the strategic and cultural preconditions for achieving operational and service excellence. Other underlying challenges in achieving operational and service excellence are cited as keeping pace with new and emerging technologies and innovation and having the agility to adapt fast to changing market conditions.

The survey revealed a correlation between these challenges and the capacity of upstream service providers to deliver innovation and operate with agility. The study found that the success of partner businesses is in varying degrees dependent on service provider/vendor relationships, which we will explore later in this report. But for now, the interconnectedness of many channel relationships is under stress from 'factors of detachment' that reside in those vendor and carrier organisations that are wedded to legacy, rigid, hierarchical structures and procedures – which alongside a perceived lack of innovation can prevent their partners from becoming more agile themselves and less able to ride the wave of technology and market developments. For the channel to achieve its full potential these gaps must be bridged urgently.

Do you measure up?

The journey towards operational and service excellence also requires, as a priority, greater measurements of key performance metrics. But more than 20 per cent of respondents don't have official KPIs, 35 per cent partially monitor their operational and service performance and 17 per cent don't monitor it at all. Just 26 per cent fully monitor their operational and service metrics. That said, nearly 55 per cent rate the role of algorithms, ML, AI and analytics in measuring and monitoring KPIs as useful, over 15 per cent say they are vital.

With 70 per cent of respondents having no valuable insights into their operational and service performance levels there is little wonder that decision making on such matters is their biggest challenge. The survey establishes a strong link between data and its role in strategic decision making, suggesting that having a 360 degree view of how a business operates should become a leadership priority for organisations lacking the vital data and knowledge about themselves to underpin strategies that ensure customer loyalty and organisational longevity.

- The service strategy should be clearly structured and made tangible through culture.
- In a fast moving market agility is an indicator of the level of excellence of an organisation, which in large part depends in the success of channel partnerships.
- Service excellence is the outcome of optimised leadership, organisational culture, shared values, people and partnerships – there is therefore no industry standard.

Unravelling the partnership dilemma

Economic and market uncertainty tests the capacity of all organisations to survive and thrive. In this context leadership, strategy, agility and service are ever more key. An agile, well-led enterprise is faster to adapt and execute, and another key determinant for our interviewees in meeting this imperative is the nature and success of channel partnerships.

Decisions to remain loyal or switch to another company should be significantly influenced by the attitude and actions of service provider partners, as well as other factors such as their capacity for innovation. But the research indicates that a general low-level expectation exists about what some channel service providers are able achieve service-wise and product-wise, and their lack lustre performances can be begrudgingly, and forgivingly accepted as an industry standard.

Therefore, partners are setting a low customer satisfaction bar when they need to be more demanding of a better service considering their reliance on the relationship. This is reflected by 76 per cent of respondents who say their channel service provider partnerships are critical (26 per cent) or important (50 per cent) in enabling them to raise the service bar.

Nearly three quarters say poor service from carrier partners would undermine their business's long-term sustainability. But just 10 per cent of interviewees rate the impact of current service levels from carrier partners on their business as positive. The impact of poor service is felt in varying degrees among 65 per cent (six per cent say the service they receive is very damaging; 59 per cent experience some impact; and 24 per cent registered no impact, the relationship is neutral, neither positive nor negative).

A partner's ability to deliver operational and service excellence to end customers is for almost 19 per cent of respondents completely reliant on the service they receive from service provider partners in the carrier space, and partially dependent for 62 per cent. This equates to 80 per cent dependency in varying degrees which again underlines the importance of the relationship. Furthermore, the biggest challenge in achieving operational and service excellence for nearly 17 per cent of interviewees is carrier partnerships

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- Barriers that prevent information from flowing throughout the channel ecosystem must be urgently removed.

that fall short of the mark, overriding operational and service requirements within their own business.

According to 58 per cent of respondents the carrier-partner channel ecosystem is not geared up to the required level of customer value/satisfaction creation demanded by the market. And over 40 per cent say their service provider/carrier partners are not as committed as they could be to operational and service excellence. With a similar number believing that their carrier providers are not innovative nor agile enough.

Process and cultural transformation

This research paper makes clear that the link between operational excellence and service excellence creates the need for process re-engineering and cultural transformation within many partner and channel provider organisations. And it is evident that a challenging aspect for partners wanting to deliver a sublime customer experience relates to the positive correlation between organisational agility factors and operational excellence, which are also linked to the quality and nature of service provider partnerships.

Furthermore, over 48 per cent say there is a lack of focus on process optimisation and automation among carrier partners. And nearly 65 per cent believe that carriers, if they haven't already, should implement new KPIs and performance measures to support operational and service improvement as part of a longer-term optimisation plan. Over 13 per cent said this should be done as an utmost priority.

As mentioned, only 10 per cent of interviewees rate the impact of current service levels from carrier partners on their business as positive. Yet, 68 per cent of our interviewees are nonetheless happy with the service they receive: 55 per cent rate it as good, 13 per cent think it's excellent, 28 per cent accept current service levels as 'average', and a mere three per cent said the service they receive is poor. In addition, nearly 60 per cent believe their upstream providers are as committed as they can be, and 58 per cent say carriers are innovative and agile enough to meet the needs of the fast-changing business environment.

This rather optimistic and forgiving assessment suggests that interviewees see some upstream providers as operating within a set of confines that are generally accepted as the standard, lacking scope for improvement. Any hope of room for improvement would of course prompt higher service expectations from partners.

The survey shows how the drivers and perceptions of customer satisfaction change across contexts and channels. Within the context of their own business, partner expectations are higher, but expectations of vendor and carrier service providers are significantly lower. Under these conditions it is difficult to see how channel organisations can achieve strategic alignment, and make progress.

Handicapped by circumstances, a state of operational and service stasis exists within the majority of reseller organisations questioned, sustained by leadership and cultural challenges within their own business and the broad acceptance of current service levels from their upstream partners encouraged by the perception that 'this is as good as it gets'.

Why perpetuate the status quo?

The success of operational and service excellence programmes depends in large part on how far they become embedded in an organisation's culture, and also on the state of channel partnerships. Creating a meaningful culture of service excellence is an operational priority, but it is too often the case that a strategy's potential value is lost due to shortcomings not only in execution, but also in the choice of channel partner. In particular, we can deduce that most business excellence models do not prioritise seeking a better service from alternative service providers.

Our survey shows that there are many examples of partners, in most cases, receiving poor service, including a lack of commercial flexibility and innovation in partner programmes; too much complexity in product and service portfolios; a lack of marketing, sales and tech support in bringing new products to market; a lack of effective process and automation as partners want the friction taken out of their journey; a lack of integration with partner organisations; but the biggest bugbear is poor communication, culture and mindset.

Other factors perceived as restrictive to service excellence include legacy processes and infrastructures; no access to or visibility of key data; resistance to change; too much

Factors that perpetuate operational and service level stasis in the channel

- Lack of motivation to change.
- Poor decision making and flawed strategy.
- Lack of focus on what service excellence actually means for a business.
- Fragmented organisational culture.
- Acceptance of low levels of service from certain channel partnerships.
- Detached partner relationships.

of a sales focus despite insufficient knowledge about the demands of the market; inflexibility and slow response times; a lack of effective account management; little understanding of the challenges faced by the channel; and conformity to legacy hierarchical structures and processes.

The survey also suggests that the growing scope of services offered by upstream providers calls for more structured portfolio management and support-centric approaches. In this context, service innovation and portals are becoming a competitive advantage for vendors and carriers, but a framework is needed that captures the roadmap early and shares data with partners so they know what to expect and when. Barriers that prevent information from flowing throughout the channel ecosystem must be removed.

Strategic alignment is key

As with their own internal operational and service strategising efforts, partners must be clear on why a channel relationship exists and its direction. This approach, along with clear communication, timely problem solving and all-round closer engagement will create consistency of purpose and greater value for the partner – and more service providers will become easier to do business with.

But despite the criticality of their relationship with vendors and carriers many interviewees endure a status-quo-type arrangement with upstream service providers and don't switch to an alternative, even though 90 per cent of respondents do not have a relationship with a provider that offers a positive influence on their business. In fact, below par channel partnerships could pose a challenge to a partner's operational and service excellence ambitions.

With this in mind, you would be forgiven for thinking that there should be more churn in the channel. However, decision making has already been highlighted as a major challenge, so most interviewees opt to support the status quo, reluctant to seek an alternative provider mainly on the basis of 'better the devil you know' (over 37 per cent). Concerns over migrating an entire base hold back 31 per cent; for 21 per cent the process is too complicated; and nine per cent believe all service providers deliver poor service, so why change?

The setting of low service and support expectations as being the standard benchmark brings into view an opportunity that exists in the space between customer/partner 'satisfaction' and 'delight'. It is in the experience received during problem solving that an opportunity exists to raise the service expectation bar above current levels. Therein lies an opportunity for upstream providers to stand out through good recovery; and because problem handling is a key driver of people's perceptions of excellent or poor service, good account management and processes are critical for vendors/carriers seeking to differentiate through excellent service, and thereby support partners' growth ambitions with a positive impact that helps them to achieve their objectives.

Action points that will help you to achieve service excellence

- Define what operational and service excellence means for your company, identify key focus areas in your strategy, and communicate the plan clearly and enthusiastically throughout the business.
- Be ready to make important decisions that will determine the long-term sustainability of your company, and motivate your teams to exceed expectations.
- Be clear about the criticality of organisational culture and shared values and objectives to your agility, performance levels and future success.
- Understand your primary operational and service excellence challenges.
- Focus on the process, that way you will get to the root cause of your challenges and bridge gaps.
- When planning for operational and service excellence a review of channel relationships must form part of the process, as interconnected partnerships should become embedded in organisational strategy and culture.

Overcoming apathy: It's decision time, so become a catalyst for change

Our research tells us that operational and service excellence is the outcome of optimised leadership, organisational culture, shared values, people and partnerships – there is therefore no industry standard. The quest for service excellence will require a change in paradigm and efforts to align strategy, objectives and culture may be met with resistance from staff and upstream service provider partners – again highlighting that decision making and cultural agility are critical to the success of service excellence strategies. But first there must be motivation.

A catalyst for change could reside in widespread recognition of the importance of an integrated partnership ecosystem with ideal process/service flow leading to resellers being able to offer Operational Excellence as a Service to their end customers. The importance of this concept to the future sustainability of the channel and partner businesses is

recognised by nearly 59 per cent of interviewees, and for an additional 28 per cent it is vitally important. By far the biggest pre-condition is a change of mindset in leadership that would bring about the development of a single cross channel culture that strives for operational and service excellence.

The survey also points to a strong link between leadership credentials, motivation and the potential interconnectedness of channel businesses, with almost 40 per cent of interviewees identifying a change of mindset as the most important factor in driving change, double the next most important precondition, a need for more simplified product portfolios (20 per cent); followed by simplifying and automating customer journeys with stringent KPIs and monitoring (over 18 per cent); and greater investment by service provider partners in modern IT architectures (16 per cent).

This study tells us that the principles of 'excellence' must be accepted as integral to day-to-day operations. Operationally excellent companies gain most and pursue continuous improvement by doubling down on the needs of customers, motivating staff and continually improving processes – all of which prepares an organisation for service excellence and growth. The acid test of service excellence in the channel also rests on this question – is the provider easy to do business with? A partner that has optimised its operational and service functions correctly certainly will be – and if all others follow suit the opportunities for business growth and long-term sustainability in the channel will be near endless. ■

A snapshot of key findings

- Achieving operational and service excellence is a top leadership priority for almost all respondents.
- A strong correlation exists between customer loyalty and the drive for improving operational and service excellence.
- For the vast majority of interviewees operational and service excellence is described as a mindset, a culture that should pervade the business.
- For almost 95 per cent of interviewees the quest for operational excellence begins at the top, and the biggest leadership challenge is squarely around improving the performance of decision making.
- The survey revealed a correlation between these challenges and the capacity of upstream service providers to deliver innovation and operate with agility.

Questions to ask yourself

- What does service excellence really mean to me and my business?
- Why am I not making critical strategic decisions?
- Who is responsible for improving operational and service excellence?
- How is operational and service excellence success measured?
- Are my current service providers agile and adaptable, and do they have a positive or negative impact on my business?

Time to raise the channel service level bar

The general state of service level stasis implied by this extensive channel research report shows a perpetual trend that must be urgently addressed – and there is no time to waste, writes Zen CEO Paul Stobart.

Customers have made it clear that they want a great experience. That means they want their suppliers to get the basics right – be responsive, provide a high quality service, be technically proficient, deliver what is promised, communicate updates regularly and follow through until everything is complete. None of this is complex. It's about doing the basics, but doing them really, really well. However, many of us – channel partners and service providers – fail to get this right.

The survey is a reminder to all of us that we should redouble our efforts to ensure that we are delivering the best possible customer experience. If we do that, our customers will stay loyal, buy more from us and recommend us to others. It therefore makes good business sense to be brilliant at delivering an excellent customer experience at every touch point.

A culture of service excellence

But providing excellence in customer experience is not just something you 'demand' of your people. That clearly won't work. What does work is setting up a culture of service excellence at the top of the organisation. And if your people believe that the leadership team is genuinely committed to the pursuit of customer service excellence, and if your people feel recognised, appreciated and rewarded for doing the right thing by the customer, then the delivery of service excellence becomes easier to achieve. If you don't have your people on side, then delivery of service excellence becomes almost impossible.

You could argue that this is all fairly obvious, yet our industry has consistently failed to get service excellence right. Why should we expect our channel partners to tolerate indifferent service? As an industry, we need to do better. It starts with listening to the market and using that feedback to evaluate and evolve the service offering. The better we are at providing the kind of service our channel partners want, then the more likely our channel partners will be able to serve their customers to the level required. At Zen we have a Partner Advisory Board whose remit, among other things, is to provide us with brutally honest feedback on how we are doing and where we can improve what we do. We take this feedback and use it proactively to enhance all aspects of our business offer.

An ever changing market landscape

The survey also revealed a need for service providers to adapt fast to changing market conditions and keep pace with new and emerging technologies. Again, this is not a revelation. At Zen, we are investing in people, technology and our infrastructure both to adapt to the challenges that lie ahead, and to take advantage of new opportunities. Take SoGEA, as an example which is, in our view, certain to make a big impact on the telecoms market in the UK. We recently launched our own SoGEA offering and will continue to invest in this evolving opportunity over the coming months.

Another point of note for me from the survey was that 70 per cent of respondents admitted to having no valuable insights into their operational and service performance levels. Such a dearth of insight can really hamper decision making at management level. Our Circle of Excellence Award, launched this year, rewards Zen partners who provide customers with superlative levels of service. The independent research (paid for by Zen) that underpins the Circle of Excellence awards offers participating partners invaluable insight into the quality of the customer experience they are offering their own customers.

The road to success

2020 has been challenging for everyone but in a sense that's as good a reason as any to raise standards of quality even further. If there was ever a time that customers needed to receive the best possible experience from their suppliers, it is now. Those providers that get customer experience right will prosper in the future. Yes, of course, providers need to have the right technology, products and propositions, but it's quality of service and excellence in customer experience that will always be the key differentiators.

At Zen, we are big believers in the potential of ultrafast – indeed, the Covid pandemic has created a whole new working environment, at home and in the office, where reliable and fast connectivity has become an essential without which we are lost. In response to this, we have been investing heavily in infrastructure and network capacity to prepare the way for a fast emerging ultrafast generation. We are one of the few players to offer ultrafast propositions to channel and wholesale partners, and we intend to remain at the forefront of the ultrafast world. But all this effort will be for naught if we don't also maintain and enhance the quality of service we provide.

The survey is a reminder to all of us that we should redouble our efforts to ensure that we are delivering the best possible customer experience. If we do that, our customers will stay loyal, buy more from us and recommend us to others

Overall, my personal take out from this survey is that we all have a lot more work to do. This is no time to rest on any laurels. On the contrary, we need to re-invent everything we do to surprise and delight our customers. That's the path to true long-term business success. ■

Zen.
For long term business success.

Our customers love us...

91
Zen

74.4
Telecoms average

The Institute of Customer Service

MoneySavingExpert
"Zen tops our broadband customer service poll"

PC PRO
"Zen leaves big four telecoms providers in their wake"

Broadband GENIE
"Zen tops our broadband speed charts"

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