

White paper

Back to the office 2.0 for utilities

Back office is the new front office

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EXL



Inefficiencies in the back office in turn impact customer satisfaction and the overall customer experience. For instance, a survey found that 60% of customer dissatisfaction sources originated in the back office. It is also estimated that 10-20% of all transaction volumes in a contact center are the result of execution issues in the back office

Source: Capgemini - Backing up the Digital Front: Digitizing the Back Office

The need: The battleground for organizations has never been so competitive and complicated.

The rapid adoption of technology, changing customer behavior, and increasing competition are combining to disrupt traditional customer service models.

Most organizations have already initiated their journey to transform their business model to differentiate from competition. Many enhancements have already been made to digitally transform how customers interact with the front office. However, less thought has been given on how to transform the back office.

As more and more customers interact with organizations digitally, customer interactions with front line staff are decreasing. Especially customers now use self-service option to interact directly with

an organization's information systems to submit requests online and download things like their transaction history from the website.

In this environment, the back office rather than the front office plays a pivotal role in creating service differentiation. The front office is like the visible tip of an iceberg.

Organizations are like icebergs in that customer touch points involve only one-tenth the number of employees as indirect, yet customer-affecting, functions.

Hence, the back office represents the largest opportunity for significant improvements in customer experience and cost reduction. The market leaders

of tomorrow will not be decided by the amount of technology they deploy, but how they evolve their back office processes to become more intelligent and proactive.

Thinking about it in a different way, the performance of the back office affects the performance of the customer facing processes, i.e. when a customer has not been sent a bill on time. The front end is affected by this, potentially leaving a disgruntled customer. Even with a more efficient digitized front-end process, the customer is still left unsatisfied by a broken process.

Organizations seeking to deliver genuine transformation should recognize that

back office operations are central to improved services and increased customer satisfaction. In fact, back-office transformation is the foundation for digital transformation.

Traditional back-office operations need to transform from mere transaction processing functions to generating more value to impact customer profitability, net promoter score and customer lifetime value.

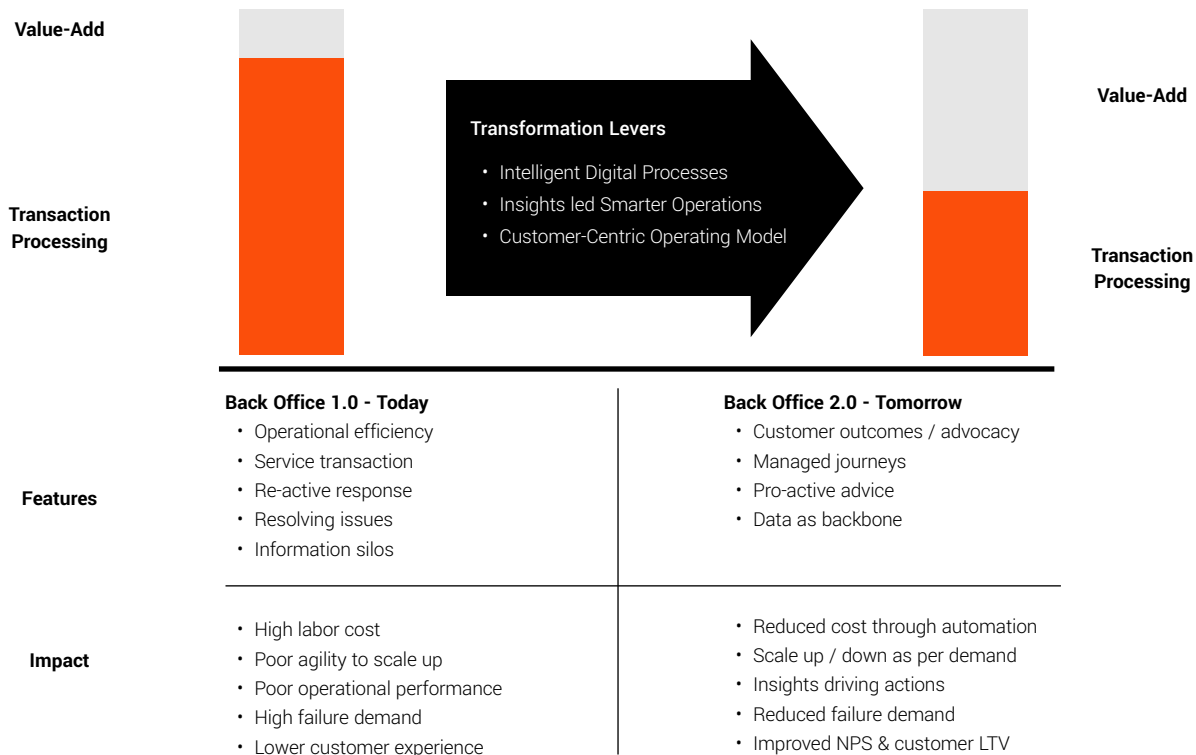
Back office 2.0

We believe back office is the new front office – Back Office 2.0 will not only improve customer experience, but also reduce cost of operations and reduce failure demand. Our vision of Back Office 2.0 is customer-centric, intelligent, digital, data driven and compliant (figure 1.0). With low-end activities automated, Back Office 2.0 can focus on generating additional value for business by using analytics (e.g. proactive issue identification), while being flexible to scale upon demand.

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– Matthew Egan, Operations Director, British Gas

Figure 1.0: Back office 2.0 - customer-centric, intelligent, digital, data driven and compliant





McKinsey Global Institute (MGI) research suggests that companies can automate at least 30% of the activities in about 60% of all occupations by using technologies available today.

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– Rahul Arora, VP & Head of Utilities, EXL

Key tenets of back office 2.0

Based on our experience, the following three components play a key role in transforming traditional back-office functions into digital and intelligent operations (figure 2.0):

A. Digitized processes

Manual processing is expensive, inconsistent and slow. New forms of automation – fueled by advances in areas such as advanced workflow solution, robotics and artificial intelligence – bring the potential to improve the quality, speed, and flexibility of work dramatically.

However, the bigger benefit will be freeing employees from mundane and repetitive tasks, allowing them to focus on value add work that improves customer experience and reduces failure demand.

1. Digital workforce optimization

solution: Traditional back-office processes are marred with clunky workflows, manual processes and limited visibility of the staff performance. Even the addition of BPM, CRM and ERP systems, which in part target different functions, has fallen short in addressing efficiencies. These challenges have led to introduction of digital workflow solutions.

These solutions can help to:

- **Prioritize and distribute work:** This can be based on unique business rules and policies, reducing the need for unnecessary manual intervention.
- **Free capacity from existing resources and reduce costs:** Managers can control, optimize and continuously improve back office processes in real-time, reducing costs by freeing more capacity from existing resources.
- **Monitor operations and improve customer outcomes:** This supports real-time proactive management of service-level breaches, prioritizing accounts and pushing them first in the queue for associates to address.
- **Strategic planning and forecasting:** This creates sophisticated demand & supply models that demonstrates the impact on service level achievement under variable scenarios.

Early adopters of back office workforce optimization solution are realizing very significant savings, ranging from 20% to 40%.

Source: DMG Consulting - The Missing Links in Back Office Business Process Management

2. Advance Automation and Robotics:

Despite years of investment in technology to improve efficiency and decrease costs, full automation is still a pipe dream. Many challenges have emerged, including incomplete upstream data feeds, poor quality reference data, multiple golden sources of data, evolving regulation and legacy IT infrastructure. As a result of these shortcomings, organizations require multiple manual workarounds to maintain controls and quality. Since BOTs can be exceedingly accurate, they are helping companies form a digital workforce, where they automate routine tasks and eliminate inefficiencies.

And this new generation of labor management is changing the workforce as we know it. With more and more repetitive and labor-

intensive work getting automated, this is starting a significant change in the back office. **The benefits go beyond the cost reduction:**

- Decreased cycle times and improved throughput
- Flexibility and scalability
- Improved accuracy
- Detailed data capture

Apart from the above benefits, it is also driving the following, which is enabling the back office to come out of the shadows:

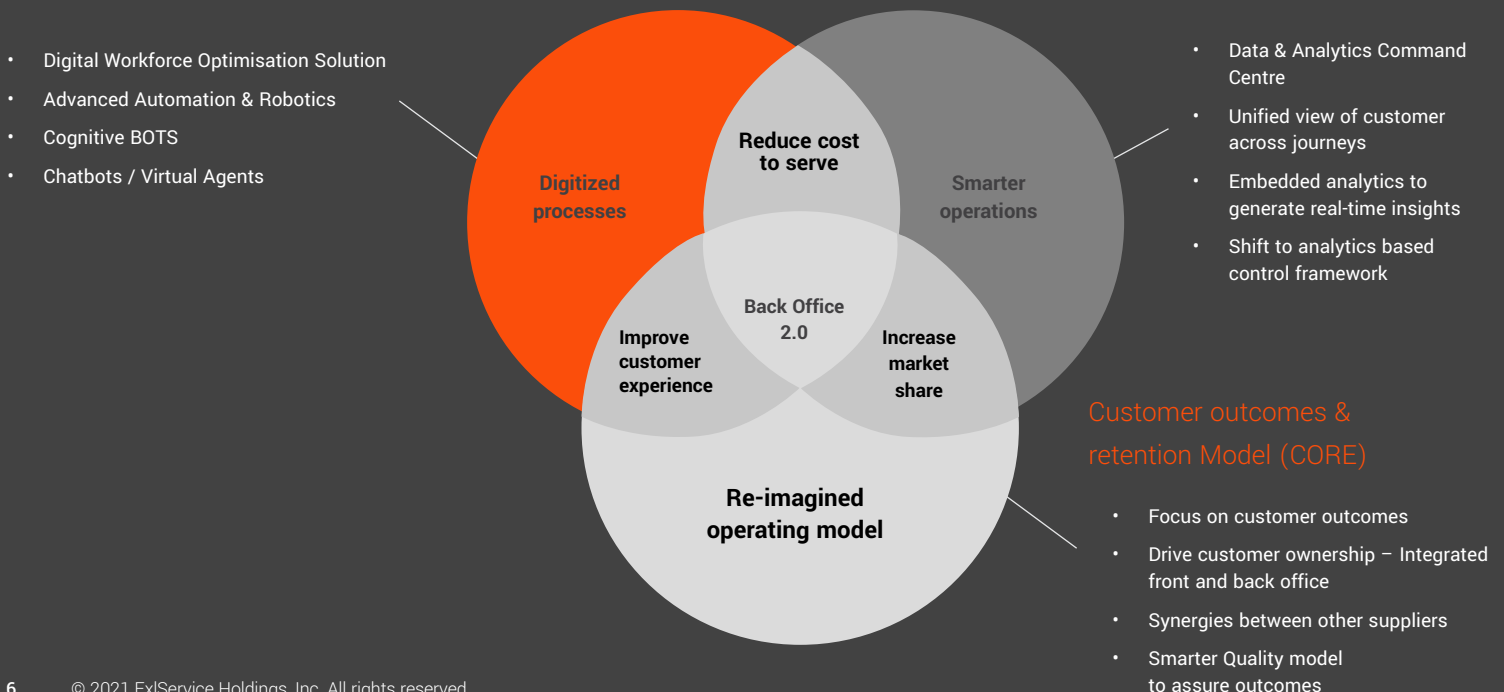
- Improved employee morale – enables them to add more value
- Allows time to innovate and focus on customer satisfaction
- Close the last mile by combining digital and humans

Employees are getting freed from their routine work to focus on redesigning the digital experiences for end customers. Back office employees are getting upskilled on customer journey mapping, digital interventions and design thinking to reimagine business processes with custThis is essential, as without human touch in the last mile, adoption of the digital process is extremely challenging. By creating a fit-for-future employee base, companies can close the last mile and deliver a compelling and differentiated experience that delights the customer, changes behaviour and drives better outcomes.

(Please refer to EXL's **"Digital's Last Mile – The Human Touch."**)

Figure 2.0: Key Components of Back Office 2.0

Building Customer-centric back office
Intelligent, digital, data-driven, compliant



“Automation of various activities can improve the performance of almost any business process. Beyond enabling reduction in labor costs, automation can raise throughput, increase reliability, and improve quality, among other performance gains”

Source: McKinsey Global Institute – A future that works: Automation, Employment and Productivity

B. Smarter Operations

One of the key tenets for Back Office 2.0 is to be able to share the right actionable insights at the right time with decision-makers. A robust data and insights command center can bring together all data that is impacting customer experience and cost to serve to derive a set of interventions that can help an organisation meet its objective of delivering leading customer experience at low cost.

With digitized processes freeing resources and allowing them to focus on value-add work, a Data and Insights Command Centre can feed initiatives that utilize back-office resources to drive better customer experience and reduce operation costs.

This Centre can continuously generate actionable insights by focusing on:

1. Data Strategy and Management: a robust data management framework ensures that accountability is fixed, data ownership is assigned and a focused approach is taken to drive data improvement steps. It ensures the right data is captured at the beginning, the right set of tools and technologies are deployed and also keeps data consistent across the systems by working on required structures, processes, and enablers

By having dedicated data stewards for each business or operational unit with responsibility for establishing detailed data definitions within their data area and developing plans using structure and strategy to deliver developed, robust and sustainable data that drives value and reduced operating costs within their business area.

“Real-time reporting of operational KPIs coupled with auto alert emails for cases with variation beyond threshold levels helps minimise disruption in BAU activities.”

2. MI and Reporting: Real-time reporting of operational KPIs coupled with auto alert emails for cases with variation beyond threshold levels helps minimise disruption in BAU activities. For example, we worked with a large UK utility provider to develop journey level dashboards which provides a comprehensive view of customer movement across various stages (including internal / external systems and partners). This helps in

Case Study

EXL implemented its proprietary back office work optimization solution (Smart Work Management) for British Gas to deliver the following benefits:

- ~25% reduction in end to end processing time
- ~30% improvement in adherence to SLA and TAT
- Decreased cycle times and improved throughput
- Flexibility and scalability
- Improved accuracy
- Detailed data capture

Apart from the above benefits, it is also driving the following, which is enabling the back office to come out of the shadows:

- Improved employee morale – enables them to add more value
- Allows time to innovate and focus on customer satisfaction
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Case Study

EXL has collaborated with British Gas to deploy 150+ BOTs in their back office operations resulting in significant cost reduction.

“Basically, analytics is about making good business decisions. Just giving reports with numbers doesn’t help. We must provide information in a way that best suits our decision makers.”

Source: Director of HR analytics for an entertainment company



“With digitized processes freeing resources and allowing them to focus on value-add work, a Data and Insights Command Centre can feed initiatives that utilize backoffice resources to drive better customer experience and reduce operation costs.”
– Rahul Arora.

identifying breakdowns in processes and quantifies its exact value in terms of cost of poor quality leading to proactive management of issues that can impact customer experience.

- 3. Insights and RCA:** While data management and MI reporting helps to highlight breakdowns, the insights and RCA team would subsequently perform a deep dive analysis to identify key drivers of these breakdowns and help design solutions which the operations team can execute.
- 4. Modelling and Scoring:** This team is the heart of the Data & Insights Command Centre generating models and scores for all predictive and prescriptive actions. This includes design for next-best action, back end model for chatbots, recommendation engines to identify the right customers and right time for contact through the right channel amongst others.

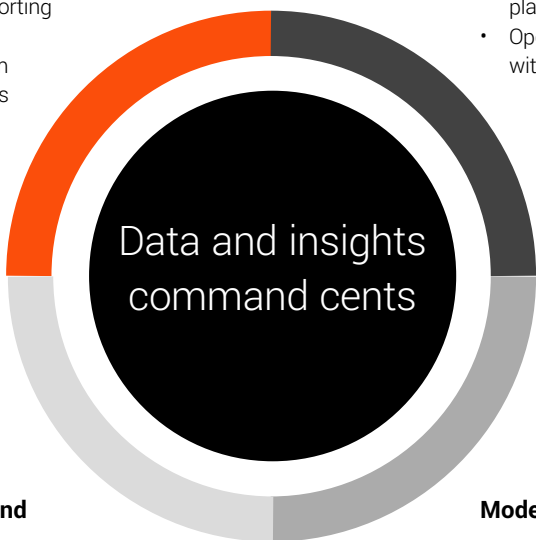
This four-tiered Data & Insights Command Center will be at the heart of the Back Office 2.0 to ensure that all the insights are quickly translated into initiatives like which processes are to be automated or which processes are failing and need better controls, etc.

MI & reporting

- Real-time reporting for operational KPLs
- Journey mapping and fallout reporting
- Auto alerts for deviations from threshold levels

Insight & RCA

- Detailed deep-dive for exception/calls drivers
- Dynamic scheduling and planning
- Operational synergies with partners



Data strategy and management

- Data management framework
- Data stewardship program
- Prioritisation matrix

Modeling & scaling

- Cross/up sell recommendation
- Proactive and preventive control design
- BNA recommendation engine

Process transformation initiatives

Elimination

- Exception/Work
- Site visits
- Failure demand

Hyper automation

- RPA
- Chatbots/Cognitive IVR

Synergies

- Partners (e.g. Field)

Controls

- Outcome analysis
- Journey dashboards

Proactive data management

- Data quality
- Reconciliation

Call deflection

- A1-enabled calling
- Proactive texting

C. Customer-centric operating model

Emerging technologies – from advanced analytics to robotics – will be crucial in transforming the back office operation. Design thinking is needed to reshape the way the back office delivers its services and crafts a compelling customer experience.

The success of a back office process is often measured by KPIs that can be misaligned to customer experience. As a result, it's common even business processes that are meeting/exceeding its KPIs can result in low customer satisfaction, poor quality and regulatory challenges.

Design thinking can help back-office leaders to move beyond assumptions about how best to serve customers by identifying spoken and unspoken needs. Design thinking can also help uncover new opportunities to focus on the true back-office mission.

A customer-centric operating model should focus on the following:

- 1. Customer outcomes:** Success of the customer-centric model depends on understanding and measuring customer outcomes. The usual mistake in defining customer outcomes is that most people confuse this with process outcomes (like setting up of customer on supplier's

Case Study

For British Gas, EXL has embedded analytics into customer operations. This has led to significant improvements in customer experience and reduction in cost to serve. One key example is improving Join journey leading to ~£2.6 M cost avoidance through reducing delays in account setup

system in five days). Process outcomes were typically established due to the siloed or functional-driven operating models. In the customer on-boarding process, the customer outcome is timely supply and timely first bill.

Timeliness and accuracy cannot be driven by industry, process, or system constraints, they need to be derived from Big Data and customer behavioural analytics. While analytics are increasingly being leveraged by other industries, utility companies haven't been able to use and embed them effectively in their operating models. **Designing back office operations in line with customer outcomes is one of the key requirements for Back Office 2.0.**

- 2. Outcome Ownership:** Most utility companies are segregated based on front or back-office teams. Operations need to be designed based on customer touch points so that they deliver seamless service without shuttling customers between the front and back-office or third parties.

The organisational design change required to do this is probably the biggest barrier to delivering great customer experience because it can lead to a large restructure of organisation and systems. For example, customer on-boarding should be managed by one leader/team irrespective of whether the specific processes are managed by what would typically be classified as the back or front-office.

This would also include working with third parties to reduce delays impacting customer experience.

“Design thinking is needed to reshape the way the back office delivers its services and crafts a compelling customer experience”

Matthew Egan

For British Gas, EXL partnered with the third party metering provider to improve customer onboarding journey leading to £250K savings through failure demand reduction.



In addition to having the right organizational structure, process inputs and outputs are best driven by analytics to highlight trends and areas for improvement. Analytics should be challenging the drivers of the process and predicting likely downstream impacts on the customer. This can make utilities companies more proactive in managing their customers as opposed to reacting to issues after they happen to now dissatisfied customers.

3. Smarter Quality Model: In any service industry, companies measure quality based on existing processes and system constraints, which is typically ineffective from a customer point of view. Customers care about the “right” outcomes (from their perspective) and have little regard for energy providers’ process guidelines.

Outcome-based quality assurance has existed in other industries like manufacturing for many decades but is not yet widely embraced by the service industry. Another challenge with traditional quality models is the use of small sample data versus leveraging information about the whole population. The best way to solve this is through the use of analytics that identify patterns of non-conformance and their first-degree causes. Improvement opportunities can then be made towards the process, system or associate handling the customer account.

40% improvement in process effectiveness through quality model transformation for British Gas

Conclusion

It’s time for organizations to invest in their back-office operating areas. The tools and technologies that make such transformation possible are advanced analytics, intelligent processing, artificial intelligence and robotic process automation along with an operating model that focuses on customer-centricity and an agile implementation for bringing it all to life.

Indeed, it’s the rise of the Back Office 2.0. By bringing back office to the front, organizations could bring not only improve efficiency and savings, but lay the foundation for digital transformation and close the last mile by combining digital and humans. This allows organizations to have a holistic view of customers, deliver a compelling and differentiated experience that delights the customer, be more responsive to their needs, change behaviour and drive better business outcomes.

Case Study: EXL has implemented its customer-centric operating model (Customer Outcomes and Retention model – CORE) for British Gas resulting in the following benefits:

- Increase in billing rate by 5%
- 7% improvement in bill on actual reads
- 11% reduction in sales leakage
- 74% reduction in unbilled value
- 13 days reduction in cycle time for stuck sales accounts
- £1 M reduction in customer compensation
- £1.1 M improved collection of missing payments
- £1.9 M revenue leakage prevention

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