



Business Innovation Observatory



Customer Experience

Enhanced customer support

Case study 35

Enterprise
and Industry

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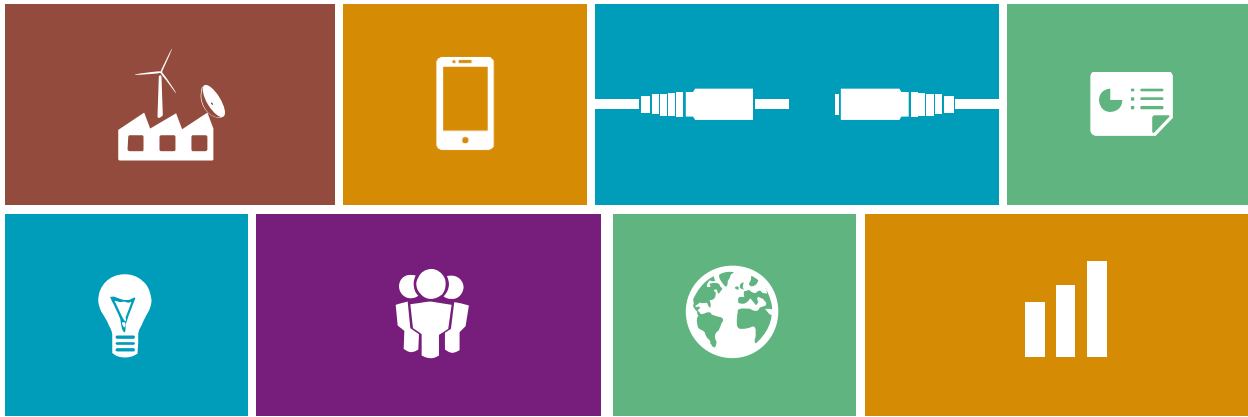
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1. Executive summary

Enhanced customer support is the proactive and **personalised provision of services** before, during and after the purchase of products or services. The need for re-thinking the interaction between companies and customers was triggered by the market transformation from shops with regular opening hours to **24/7 online business**. Traditional customer support was limited to making phone calls or filling in complaint forms. Being able to shop on company websites from any place and any time of the day, customers expect to get quick answers and tailored support to their requests.

Today, new technologies can dramatically optimise customer support while making it more complex at the same time. For instance, customers are increasingly purchasing items from their smart phone or tablet, which opens up completely new opportunities for faster and more personalised interaction. Customer support has therefore evolved towards live chatting, mobile applications and social media, to serve customers at any time and wherever they are.

Enhanced customer support can improve enterprises' perceived service quality, which is one of the determining factors for customer satisfaction. By using automated customer support (often based on artificial intelligence), customer service becomes **quicker, cheaper and more targeted**.

A number of drivers has been facilitating the growth of the trend. For example, enhanced customer support can lead to the building and maintenance of a positive company reputation, all the more important as feedback sharing on products and services via social media becomes ever more widespread. Enhanced customer support has the potential to change the philosophy of conducting business by shifting from a product/service-focus to a **customer-centric approach**.

On the other hand, the trend still faces a number of barriers. For instance, companies consider banks as too conservative to lend to start-ups in the field of enhanced customer support, as their **business models are usually outside the norm**. Concerning public funding, companies criticised that national and regional funds offer limited support to innovative start-ups for internationalising their business. And while these two sources of funding often remain closed for enhanced customer support start-ups, private investors often disqualify them due to their short term investment horizons that usually do not fit the company philosophy. Apart from the financial barriers, the nature of enhanced customer services presents another barrier in the form of the complexity to internationalise services. Indeed, enterprises are most of the time forced to create entirely customised websites for each market they want to enter to adequately target and sell their services to local clients.

In order to overcome those obstacles, this case study suggests a number of policy recommendations. For example, policy makers may provide subsidies and/or tax relief for young enterprises to facilitate growth in the start-up phase. The European Commission could further encourage the creation of one-stop shops to provide legal support and advise enterprises in tackling international regulations or IP issues. Equally, the public hand could support SMEs in identifying partners in foreign markets and connect SMEs with relevant client companies from their business network. Finally, companies encouraged policy makers to invest further efforts in harmonising the Single Market's administrative procedures and taxes.



2. Enhanced customer support

Enhanced customer support refers to the **customised provision of support services**, regardless of the location of the customer or of the time of day. The perceived quality of such support depends on the accessibility of companies, as well as the immediacy and accuracy of their response.

With the shift from “bricks to clicks”, i.e. the transition from physical shops with limited opening hours to websites that are accessible 24/7, customers are increasingly demanding **immediate and targeted support**. With customer communication diversifying across more channels, traditional marketing and customer contact centres do not have the resources, tools and expertise to provide the same level of service as before (Figure 1).

Figure 1: The new business reality requires a fundamental rethink of customer service



Source: LimeBridge¹

To cope with this challenge, companies are developing services that promise fast and cheap support “directly to the customer’s couch”, e.g. by offering support in the form of live chats, mobile applications or social media channels. In addition, enterprises are adapting their escalation procedures by serving customers first through FAQ webpages or moderated fora and then, if necessary, pointing them in the direction of personal support.

The biggest challenge for companies doing business online is to create and enhance a **personal experience** for the customer. Without any face-to-face communication between customers and companies, companies investigate new ways of personalising their interaction with the customers again.

For instance, enhanced customer support draws on opportunities opened up by **innovative IT technologies** such as digital profiling, predictive analytics or artificial intelligence. If properly used, these techniques can allow personalised customer support even by automated means, which makes the service faster, less expensive and more personalised.

“The lack of visual and tactile presence makes it even more crucial to create a sense of personal, human-to-human connection in the online arena” – Micah Solomon²

Before the purchase, customers can feel lost facing the almost infinite range of products and services offered by an e-commerce shop. Enhanced customer support tries to welcome potential buyers in a personalised way and through the medium of their choice, e.g. face-to-face through video chatting, or through a chat application on a smartphone or tablet.

During the purchase, enhanced customer support tries to guide the customer smoothly throughout the purchasing process by providing appropriate offers at the right time in the right way. Questions and uncertainties are understood correctly and solved in the fastest way possible, through a moderated forum, live chat or by free phone call. In an ideal purchasing process, the emotional bonds between customers and companies are strengthened.

After the purchase, enhanced customer support tries to ensure a timely and non-disruptive product delivery respectively service deployment, sometimes even within just hours. During the aftersales process, customers expect the same level of personalised, professional support they know from physical stores. Internationally active online stores or service providers face the additional challenge of serving customers in different languages outside their regular working hours.



3. Socio-Economic Relevance

The customer support landscape is being reshaped by different forces, causing companies of all size to recognize that a pleasant customer experience has become a **critical competitive advantage**:

- Customers are increasingly intolerant of poor experiences and share their dissatisfaction within their social networks;
- Products and prices are at parity, allowing customers to take customer experience as a differentiator;
- Multichannel choice adds complexity as it requires continuity, consistency and correctness of interactions.³

With the growth of social media and Web 2.0, sharing experiences with a broad audience became easier than ever.

96% of unhappy customers don't complain, however 91% of those will simply leave and never come back – Liveworks⁴

Building and keeping a good (online) reputation is therefore an important success factor for companies to compete in the online marketplace.

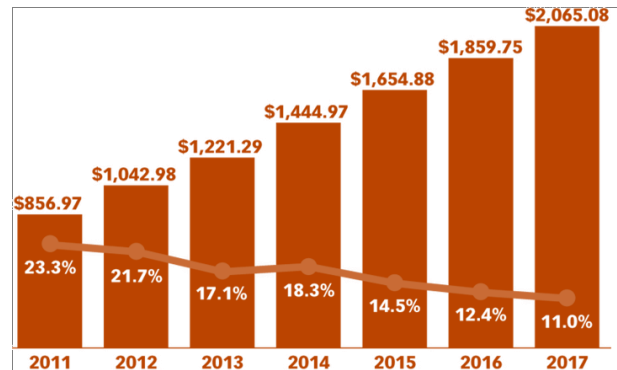
3.1. The market potential of the trend

Over 1 billion digital buyers spent more than **EUR 900 billion on business-to-consumer (B2C) e-commerce purchases** in 2013. Combined sales in North America, Asia-Pacific and Western Europe account for 90% of the worldwide total.⁵ The European e-commerce industry is clearly dominated by the UK, Germany and France. These three countries together represent almost two-thirds of the total European B2C e-commerce sector of the EU.⁶

Global growth is expected to remain in the double digits through 2017, driven by digital retailers expanding into new markets, the development of more advanced payment methods and shipping options, the increasing number of online and mobile users in emerging markets, and almost all major brands opening digital storefronts.⁷ The North America and Western Europe markets, however, are still growing their sales in the double digits but below the worldwide average of 17% in 2013 (Figure 2).

Western Europe and North America are the only regions in the world where a majority of the online population is also a digital buyer. However, there is still significant room for growth, especially in emerging markets where many internet users are still not buying online.⁸

Figure 2: B2C e-commerce sales worldwide (in billions and annual change)



Source: eMarketer, Worldwide B2C Ecommerce: 2013 Forecast and Comparative Estimates⁹

Customer support centres are becoming the **eyes and ears of companies**, and failure to use its available intelligence will diminish the entire organisation's standing.

According to Gartner's estimations, in 2013, **spending on social software to support sales, marketing and customer service processes exceeded EUR 750 million worldwide**.¹⁰ Gartner estimates that 35% of all customer relationship management (CRM) software is today consumed using Software as a service (SaaS), a software delivery model in which software is centrally hosted on the cloud by another software provider. Gartner expects that figure to grow to just over 50% by 2020¹¹, reaching a maximum of 80 to 85% by 2025¹².

A recent report from Forrester observes that "retailers, consumer brands, and industrial suppliers alike are significantly bolstering their capital investment programmes to ensure they stay at the forefront of digital innovation"¹³. A survey Forrester conducted for this study showed that more than half (56%) of e-businesses intend to increase their spending on e-commerce-related technology. 50% of these companies again listed customer relationship management tools among their top investment priorities.

One of the biggest players in the enhanced customer support field – the San Francisco based company Zendesk that was originally founded in Copenhagen, Denmark – has recently reached market capitalisation of nearly EUR 750 million, according to Google finance.¹⁴

Apart from the growing B2C e-commerce sales worldwide, a look at the **call centre industry** could also help to estimate the market potential of enhanced customer support.



The call centre industry was born when in the 1960s companies began to dedicate persons to exclusively answering customer phone calls. Over the years, the industry grew continuously, and is expected to reach **EUR 250 billion by 2018**.¹⁵ Jordi Torras, CEO of Inbenta, shared his vision that “in the future, companies could solve 99% of their problems in an automatic way. Call centres would practically disappear.” Enhanced customer support through other means than telephone will surely take over a share of the **multi-billion euro customer support market**.

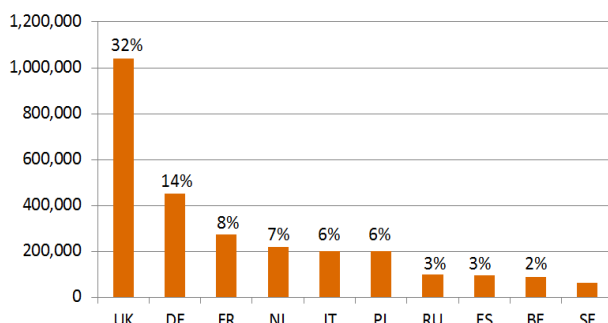
3.2. The creation of new markets and jobs

Considering the strong growth of the e-commerce sector in general and the need for an enhanced customer support market in particular, the creation of new markets and jobs is expected. Due to its flexible, web-based nature, companies **compete on a global level**.

By having a look at figures from the traditional customer support market, e.g. the **call centre market**, a first insight of the potential lying in more improved forms of customer support can be developed. The importance of the sector in the labour market on the other hand can be estimated. In Europe alone (incl. Russia, Switzerland, Norway, Turkey, Ukraine), 3.2 million people work in over 35,000 call centres, accounting for **nearly 1% of the active working population in Europe**.

The United Kingdom is by far the biggest call centre market in Europe, followed by Germany and France (Figure 3). Ireland and the Netherlands show high numbers or marked penetration in comparison to their relative economic weight.¹⁶ Surprisingly, southern European countries like Italy and Spain are not among the top ten. The reason for such distribution might be the role of language, where the UK has a competitive advantage with English.

Figure 3: Distribution of call centres in Europe



Source: PwC Analysis¹⁷

The research carried out for this case study brought to light that the **United Kingdom and Spain show the most innovation** in terms of enhanced customer support.

Additionally, enterprises like Qubit chose London as a strategically advantageous location for their headquarters because they saw that the UK was one of the most important e-commerce markets. Proportionately, people spend more money and time online than in other countries, while the conversion rate of website visitors that are buying is still relatively low – thereby giving lots of opportunities for improvement.

London in particular is becoming a technology hub, attracting top talented engineers that are now turning more and more away from the financial sector looking for jobs in big data and transformational technology. Overall, the interviewed enterprises reflect the strong **potential for job creation** through the enhanced customer support industry (Table 1).

We are finding more graduates wanting to go down the technology route instead of traditional consulting or financial service sectors – Qubit

Table 1: Jobs created by interviewed enterprises

Enterprise	Jobs when founded	Jobs today
BrainSins	3 (2008)	15
Qubit	4 (2010)	100
Inbenta	1 (2005)	50
Deskero	3 (2011)	10
Brand Embassy	2 (2011)	25
Whisbi	2 (2008)	70

All interviewed enterprises stated that they aim for global market reach. Apart from their European home market, their internationalisation strategies all lead them to focus on the US market. This is the one of the matures markets outside of Europe, and its potential makes it very attractive.

Qubit, for example, internationalised initially through strategic partnerships with media agencies and consultancies before opening up operations in France to better serve southern Europe, and in Germany to help serve northern Europe (planned for late 2014). In North America, where most of Qubit’s competitors are located, the enterprise opened a full operation in May 2013 to serve the fast growing client base overseas.

3.3. Client companies perspective

Good customer support has an impact on the perceived service quality, which is one of the determining factors for customer satisfaction. Especially in the e-commerce world, it can serve as a **distinct competitive advantage**.

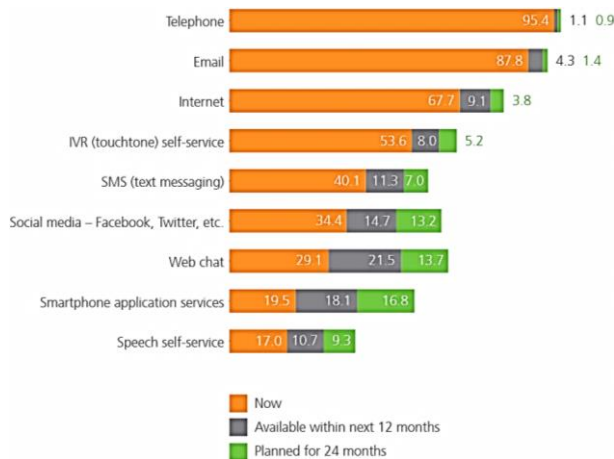
In consequence, more and more companies have started to apply a “customer-centric philosophy” to better satisfy the needs of their customers at the same time as delivering greater value and making it easier and a more pleasant



experience for customers to buy from them. Their company stories are centred around the customers and how their employees help customers to succeed.

Different channels are at companies' disposal to improve their relations with the clients. It could be through traditional channels like telephones, physical salespeople, letters, or digital channels like chat, e-mails, forums, virtual assistants or social media (Figure 4).

Figure 4: Customer care channels available at contact centres (in percent)



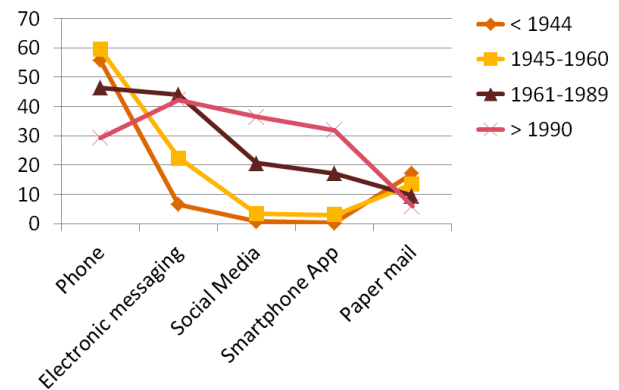
Source: Dimension Data, 2013/14 global contact centre benchmarking¹⁸

Overall, traditional customer support means such as telephone or letters have become the fourth channel choice for younger generations – behind **electronic messaging** (e.g. email, chat SMS), **social media**, and **smartphone applications**.

Web chat has become the top channel priority for half of contact centres. **Cloud technologies** may be another game changer that contact centres have been waiting for: 78% of companies agree it helps reducing cost to serve. Another 65% of companies already using hosted or cloud based technology solutions agree that it has provided access to new and enhanced functionalities and 64.8% state that it has improved flexibility (Figure 5).¹⁹

An important **driver for client companies** to adopt new customer experience technologies is to increase marketing return on investment (ROI) as digital advertising costs to acquire traffic continues to be high in mature markets like UK, Germany and North America. Further can new techniques improve companies' marketing agility allowing them to keep up the consumer with fast IT processes and full focus on shopping optimisation. Thirdly does the need to consolidate data siloes and duplication of efforts drive companies to use innovative enterprises' customer experience tools, as they help them to identify what is driving the most value to their business.

Figure 5: Most popular channels by age-profiled customers (in percent of use)



Source: PwC Analysis²⁰

On the other hand, there are **barriers that prevent client companies to adapt the trend**. Many ecommerce companies hesitate to upgrade or move their businesses to new platforms or to adapt "game changing" software products as this process is often time consuming, costly and causing an enormous drain on resources within their day-to-day business. Enterprises introduced in this case study, e.g. Deskero, explicitly address this issue and promise a smooth and uninterrupted change process. Further, client companies are often stuck with vendor contracts for services that they would like to start using from innovative enterprises. Therefore they wait until these contracts are up before they invest into more optimisation technology.

Interviewed enterprises serve mainly clients in the e-commerce sector, as well as in other service oriented areas like banking, telecommunication or retail (Table 2: Sectors served by interviewed enterprises).

Although some client companies began to rethink their approach to customer support, the majority still considers customers as a problem instead of offering them proper information and help. Aside from losing potential business, such approach can even damage the companies' reputation. After all, there is still a "mental barrier" on the client side to overcome before the trend advances to a level of maturity similar to call centres or other traditional customer relationship instruments. This is because enhanced customer support **truly changes the philosophy of conducting business**: the philosophy of putting the customer into the centre of all considerations was re-born in the digital era. The numerous new technical possibilities as well as innovative ideas outlined within this case study give a first grasp of what enhanced customer support can unleash in the future.

While large companies are now taking their digital strategies more and more seriously, smaller businesses are still focusing on getting the basics right, e.g. a functioning website, effective fulfilment and optimised digital marketing.

**Table 2: Sectors served by interviewed enterprises**

Company	Target client sector
BrainSins	E-commerce SME's, mainly fashion, sports, jewellery, but also banking and insurance.
Qubit	SMEs and large e-commerce businesses across retail, travel, financial services and publishing.
Inbenta	Banking, transport, utilities, consumer brands, telecommunications, mobile platform app, insurances, public administrations.
Deskero	SMEs and corporates, mostly for e-commerce, retail and service providers.
Brand Embassy	Large corporates, mainly in telecommunications, banking and retail.
Whisbi	So far large corporates, mainly from finance, insurance, telecommunication, banking, automobile and travel. In future also focus on SMEs.

3.4. Enterprises solving today's customer support challenges

To illustrate the enhanced customer support trend in Europe, a set of six enterprises has been selected to be showcased in this case study. The selection of enterprises was not only made on base of success signals each venture could already provide, but also to cover all dimensions of the trend. An overview of the enterprises and their business innovations is presented in

Table 3. Further details on each enterprise and their services are provided in the subsequent section.

Table 3: Overview of the company cases referred to in this case study

Company	HQ	Business innovation	Signals of success
BrainSins	ES	Cloud based software that improves cross- and up-selling, offering customisable recommendations, personalisation and gamification services.	In 2014, awarded Gartner 'Cool Vendor' status. Received government grants in Spain. Offices in Madrid, Barcelona, London and San Francisco.
Qubit	UK	Machine learning, statistical analysis and high performance computing to optimise customer insights and allow personalisation on e-commerce websites.	EUR 6.5 million venture capital, out of which EUR 5.5 million from Balderton Capital in 2012.
Inbenta	ES	Language-based semantic search engine, which can match intention-narrowed user search queries with specific FAQ titles.	More than 100 clients, including Groupon, Ticketmaster, and Telefonica. Offices in USA, France, Spain and Brazil
Deskero	UK	Highly adaptable cloud-based tool to integrate customer requests from different channels (email, chat, websites, social networks) into one single database.	International retail chain Spar implemented Deskero without disrupting regular customer support.
Brand Embassy	CZ/UK	High volume online platform for identification and easy engagement with customers across the social web.	EUR 750,000 seed capital from two funds, Rockaway Capital and Spread Capital. In 2013, Winner of the Red Herring Europe Award. Offices in Prague the Czech Republic, London United Kingdom, USA, Dubai, Portugal, Slovakia, Spain, Netherlands, and Latin America.
Whisbi	ES	Video agent technology able to synchronize in real time a normal inbound or outbound phone call with an interactive online experience.	400% revenue growth in 2010-2013. International awards. 100+ people working in offices in Barcelona, London, Madrid, Sao Paulo and Sidney.

3.5. New technologies offering better customer support

Problem 1 – Standard cross- and up-selling tools, that offer online customers similar or higher-end versions of the product they originally came to buy, hardly offer customer truly relevant products.

Innovative solution 1 – **BrainSINS** is a cloud solution for digital commerce that enables SMEs to compete at an

enterprise level. By using personalisation and gamification technologies, the technology aims to improve customer experience in order to increase sales, loyalty and engagement.

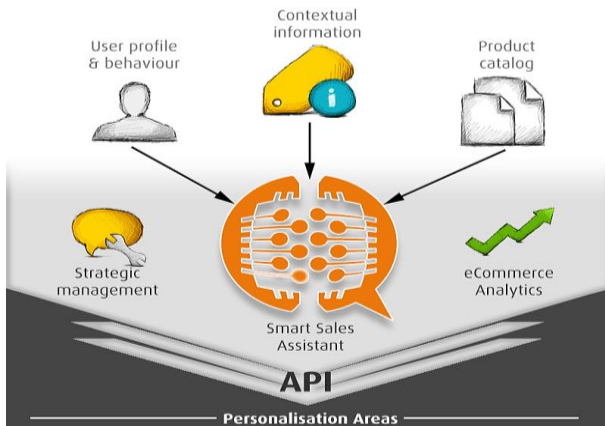
The software profiles each visitor by processing its previous activities (e.g. visited pages, ratings, comments, previous purchases). Putting these data together, there is a significant amount of information that companies can use to improve the customer experience. BrainSINS allows conducting real-time analytics and offers a personalised experience with a unique shop experience based on the customer's interest.



Customer Experience

A board game online store wanted to help their customers to find board games that could be of interest according to their purchases profile. BrainSINS has considerably reduced the barriers for the use of these kind of services, creating a product that can be applied within 5 minutes, while being easy to configure and maintain. By integrating a product recommendation block into the product page and sending an email one hour and one day after a customer has abandoned a full shopping, BrainSINS have been able to increase the overall conversion rate of the site for 16% and to recover 24% of abandoned carts, resulting in a 33% sales increase.

Sources of information for BrainSINS e-commerce personalisation solution

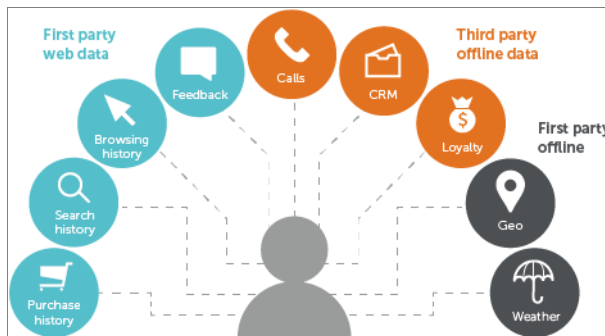


Source: BrainSINS

Problem 2 – E-commerce shops often work with standardised approaches, and do not leverage the possibilities online business offers to better target their clients.

Innovative solution 2 – London (UK) based **Qubit** allows to optimise customer insights and personalisation on e-commerce websites. On base of the collection and processing of large data sets, Qubit applies machine learning, statistical analysis and high performance computing in order to improve online profitability. Apart from optimising conversion rates, it also gives insight on customer traffic, and helps to improve a customer's journey on a website.

Source of information for Qubit



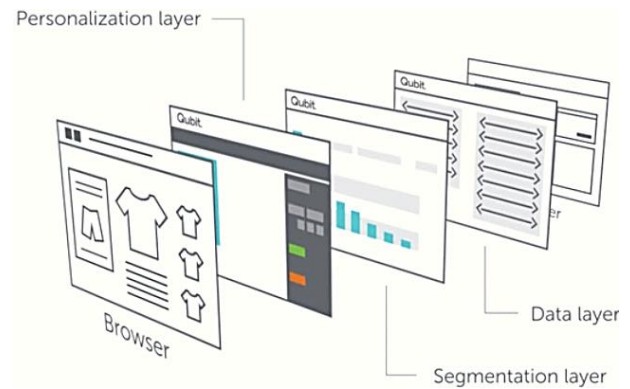
Source: Qubit

Enhanced customer support

Qubit's software can analyse in real-time the search, browsing or purchase behaviour and other digital information of customers. As soon as the software detects for example that a customer is lost or does not properly understand the functioning of the shop, it can serve more relevant content to that user helping them through to conversion.

Farfetch, a leading European boutique retailer, uses Qubit to identify "lost" customers directing them to the FAQ section of the site. With this personalisation, customers converted on average 17% more often. Similarly, the software can identify first time visitors that hesitate to buy. When the Qubit realises that they have been idle for a period of time it an onsite layer is served inviting the user to subscribe to the shop's mailing list, meaning they will now get recommendations and engaging content without having to come back to the site.

Qubit's platform integrated into a website



Source: Qubit

Problem 3 – Clients do not always know what they want exactly, but they do know that they want to have it immediately.

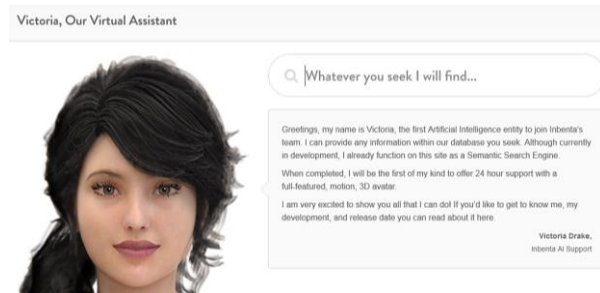
Innovative solution 3 – Focused on website and corporate intranets, **Inbenta** is a pioneer in semantic search technology that aims to improve the experience of online customers. Inbenta connects its semantic search technologies to customer support features such as search engines, virtual assistants, avatars, dynamic FAQs and natural language processing products.

Inbenta's search engine transforms unstructured, wrongly-typed or ambiguous queries to structured, specific and concise solutions, so that the customers find the needed information. Its technology further offers interactive features like virtual assistants using avatars.

The website Groupon needed an affordable solution that offered instant customer support. By using Inbenta on their customer support page, their community can access Groupon's knowledge base more easily to the directly find answers to all common questions.



Screenshot of Inbenta's virtual assistant



Source: Inbenta

Problem 4 – The more communication channels are open, the harder it is for companies to keep an overview and respond to incoming requests.

Innovative solution 4 – **Deskero** offers simple and highly flexible helpdesk software that is able to handle customer requests from a variety of channels, following the specific customer care philosophy of a company.

In today's multi-platform, multi-device world, traditional help desk systems often feel sluggish and outdated. Some SMEs realise that customer requests can come from a variety of sources, so having a solution that integrates chatter from as many sources as possible is the best way to stay on top of customer needs. Deskero's cloud-based software brings order into all help and information requests that companies receive through any type of media and merge them into a single database where they are easy to organise. Besides offering an easy to use support ticket system and knowledge base, Deskero also provides live chat solutions to properly answer customer requests.

Deskero was able to implement a tailor made customer support solution for the international retail chain SPAR (i.e. Despar Nordest Italy), without disrupting their regular customer support services. Apart from implementing a live chat solution, Deskero improved Despar's software workflow to better meet the need of proper customer care management.

Converting concerned customers into happy customers



Source: Deskero

Problem 5 – Due to the sheer infinite number of social media, it is challenging for businesses to assess, build, track and monitor their online reputation.

Innovative solution 5 – **Brand Embassy** provides a social-media based customer care platform to help businesses manage high-volumes of communications with customers via channels such as Facebook and Twitter that are largely unstructured and very different than request coming via phone or email

Brand Embassy organises, routes and prioritises customer contacts coming from social networks, forums, e-mail, as well as blogs and discussions. Such approach ensures effective collaboration between marketing, PR and customer service departments, as the customer contact can be addressed faster and more targeted.

Brand Embassy won with Vodafone, T-Mobile and Telefónica O₂ three major European mobile operators as new clients within the first six months after launched its enterprise. By using Brand Embassy's tools, Telefónica Czech Republic achieved a high level of 90% customer satisfaction and reduced response time by 70%.

Social media and search engines influence companies' online reputation



Source: Boost One SEO, Online Reputation Management:²¹

Problem 6 – Customers support is often criticised for being too anonymous and for lacking the personal touch.

Innovative solution 6 – **Whisbi** is a provider of innovative "Software as a Service solutions" that combine phone and online communications to businesses selling or engaging with their customers on the phone.

Whisbi's patented technology is able to add to any inbound or outbound phone call the possibility to: (1) show online in real time products, offers or any content through co-browsing; (2) show the face of the business through an online video communication; (3) track everything with a powerful analytics and reporting tool.



Big multinational corporates like Vodafone, Telefonica, Citibank, SKY and Fiat use Whisbi's video agents to inform customers about their vast range of telecoms products and services, resulting in a measurable increase of cross sales.

Whisbi's tool for video assistance



Source: Whisbi

4. Drivers and obstacles

4.1. Supportive administrative and regulatory frameworks

Both Deskero and BrainSINS experienced that the **set-up of new enterprises was rather burdensome and slow in southern Europe**. In comparison,

We are very actively involved in discussions around data regulations in each market we operate in – Qubit

the overall complexity of registering a new business was much easier, quicker and cheaper in the UK compared to Italy respectively Spain. Apart from reduced regulations for small businesses and the possibility to do most of the old-fashioned "paper work" online, it was also highlighted that trivial things like opening a bank account or registering a VAT number took only some minutes, compared to day or weeks in southern Europe. Such facilitated bureaucracy can lead to situations in which enterprises formally set-up their businesses in northern European countries, while carrying out the majority of their day-to-day work in southern Europe.

Enhanced customer support often builds upon the interaction with customers online. Some interviewed enterprises

"Setting up a limited company in the UK was a breeze" – Deskero

criticised that European **data protection law would not be up-to-date**, as it misinterprets activities happening in social

networks. Brand Embassy complained that user information gathered on social media cannot be integrated with existing customer-specific data, thereby hindering the effectiveness of quick customer support. For example, if customers engage on social media by sending inquiries to companies, they cannot link such information to the existing customer information the company already has, as the customer did not explicitly agree upon this step. Similarly, Whisby complained that customers hanging up their phone while waiting in a telephone waiting queue, cannot be called back

automatically as they did not give their permission to save their phone number in the company's system.

Inbenta highlighted that the **expansion of their business to other European countries was much easier in terms of administrative burden compared to non-European countries** such as the US or Brazil. Although still having potential for improvement, interviewed enterprises observed that most processes and regulations inside the EU are already relatively well aligned. In contrast, processes of entering non-EU countries do often completely differ in terms of financial reporting methods or intellectual property registration procedures. Also the necessity to handle complicated business visa applications often constitutes major barriers for SMEs when entering non-EU markets.

The Czech enterprise Brand Embassy suggested that the opening of bank accounts or the process of tax or VAT registration should be better standardised and facilitated throughout Europe. While the set-up of its headquarter in London (UK) was fairly simple and quick, it took them over one year and cost a six digit amount of money to open-up a bank account at a UK bank. Bureaucratic problems they faced where the identification of needed legal documents, translating these documents, and letting them approve by the bank. Similarly, VAT registration also took several months due to the requirement of having a bank account opened at a British bank.

4.2. Financing intangible assets and new business models

Access to finance is one of the most critical challenges faced by European start-ups. Hence it was unsurprising that all SMEs interviewed in this case study expressed the difficulties they encounter in securing funding for their activities.



Banks were generally considered as being “too conservative” to lend to the interviewed start-ups, as the services provided by enhanced customer support enterprises are rather based on a “philosophy” than on “touchable” products, making their business models different from most clients banks typically lend their money to. According to Deskero, banks don’t like to “lend money for ideas”, as they used to lend money for cash flow or against existing assets as security.

Deskero experienced that many **private investors** were less interested in long term engagement, but rather looking for **short-term profits**. In the end,

“With proper external funding, we could have grown much quicker” – Deskero

Deskero decided to forego venture capital investors as they additionally considered them as too intruding into their core business decisions. In consequence – just like most interviewed entrepreneurs – Deskero were forced to rely on organic growth and forego their receipt of steady income for the first months of their business.

BrainSINS reported their **positive experience with venture capital and business angel investors**. Apart from their financial support, the advice and guidance from these investors were considered extremely helpful for the uptake of their enterprise. For instance, BrainSINS could leverage not only the business know-how and creative ideas of how to approach the market, but also in the international networks of their private investors, which was considered crucial for their international expansion.

Similarly, Brand Embassy profited enormously from start-up accelerator programmes they have been supported by, e.g. the Prague based StartupYard or the UK Trade and Investment Fund. Brand Embassy highlighted the support they received from Business Angels and Incubators, mainly through getting introduced to potential business partners, advisors and investors, gaining feedback on their strategy and product, and free publicity.

With regards to **EU programmes**, the interviewed enterprises’ impression was that EU funds were much better captured by large companies. For SMEs, on the other hand, it was considered much more **complicated to find the right information** necessary for applying for EU programmes and ultimately to provide the workforce that could carry out the lengthy application process. After all, SMEs complained that they usually can only apply for EU funding with the assistance of external consultants. This constitutes a considerable investment unless they could arrange on a payment only in case of success.

Apart from EU funds, enterprises can also leverage on national and regional funds. Before engaging with private investors, BrainSINS started with a mix of 70% government loan and 30% own money. The government loan was granted through the “Centre for the Development of Industrial Technology” (CDTI), a public organization for technology development in Spain. Interviewed enterprises, however, complaint that **local bodies governing own or European funds often lack sufficient funding, language skills and proper business understanding** to adequately support enterprises in their business and internationalisation activities (Table 4: Source of funding for interviewed enterprises).

Table 4: Source of funding for interviewed enterprises

Enterprise	Source of funding
BrainSins	70% Spanish government loans and 30% self-funded. Later Venture Capital.
Qubit	Enterprise Investment Scheme (EIS) in first year of trading; EUR 6.5 million venture capital, out of which EUR 5.5 million from Balderton Capital in 2012.
Inbenta	EUR 1.5 million funding from Telefónica.
Deskero	Self-funded, currently looking for external funding.
Brand Embassy	EUR 750,000 seed round from two new funds, Rockaway Capital and Spread Capital.
Whisbi	Self-funded, later EUR 1.8 million from Venture capitalists, incl. Bertelsmann Digital Media Investments (BDMI).

4.3. Scalability and entering new markets

Although the internet theoretically knows no borders, interviewed enterprises highlighted considerable barriers they faced when internationalising their businesses. In the truest sense of the word, enterprise offering enhanced customer support need to speak the language of their customers. They adapt their business model to a large extent to the different cultural contexts of markets they want to enter.

The creation of a “cultural proximity” does not only entail linguistic aspects but also the translation of content, ideas and visions into different cultural contexts. Other than a company offering “technical” products, enhanced customer support enterprises need to create truly customised websites and hire new local staff for each foreign market they want to enter.



5. Policy recommendations

5.1. Facilitate the adoption of innovative solutions

Enhanced customer support could be beneficial for various **public institutions**. In this regard, policy makers could act as **“early adopters”** of innovative products. Therefore, policy makers could foster administrative simplification and reduce red-tape for SMEs seeking to work with the public sector.

For instance, the Europe Direct central information service could use Deskero’s software to integrate requests from different channels, be it emails, chats, websites, or social networks, into single database. Similarly, Inbetna’s language-based semantic search engine could be used to match citizens’ search queries with specific FAQ titles. Further, the European Commission could use Brand Embassy’s customer service tool for actively identifying and engaging with customers across the social web. Last but not least, also Whisbi’s video agent technology could be implemented into Europe Direct’s services to help clients sell products and services via their website.

It was considered as rather counter-productive that many EU funds are managed by local agencies that often lack the resources to apply a European or even global perspective, as well as a proper business understanding. Interviewed enterprises would therefore appreciate to have **more direct access to the European Commission**. Ideally, the European Commission would communicate with enterprises through a network of local EU representations or hubs. Additionally, the EU could create one-stop-shops to provide free legal support or additional help to understand the eligibility criteria to benefit from EU funds.

5.2. Support internationalisation of innovative enterprises

All interviewed enterprises shared insights into their experiences on internationalising their business. Generally, these enterprises would appreciate more support from the public sector.

Public institutions could support enterprises on **finding their way through international regulations**. On a strategic level, help would be appreciated e.g. on legal aspects of setting up a branch abroad, whether and how to best engage with local partners, and how to adapt the business model to foreign contexts. On an operational level, enterprises raised several concerns, e.g. on how to best transfer money to non-

EU countries, on tax regulation and issues such as double taxation, or on questions arising around intellectual property rights.

The European Commission could improve the Directive on Services in the Internal Market to further simplify procedures and formalities that enterprises need to comply with when expanding their business. For example, few enterprises are aware of the existence of “points of single contact” that exist in each EU member states, through which they could obtain information on administrative formalities from one authority without the need to contact several authorities. And those enterprises that have been in contact with points of single contact in the past often complained about the very limited amount of relevant information they received.

With regards to the intra-European situation, several interviewed enterprises encouraged the European Commission to invest further efforts in **harmonising the common market**. Especially inner European administrative procedures and taxes should become more uniform. Otherwise, the costs of engaging specialised consultants and lawyers, which are necessary for enterprises to understand the different local particularities and procedures, can hinder the international expansion even inside the EU.

Interviewed enterprises encouraged the European policy makers to push for introducing **European Private Companies (SPE)** across the EU. Such step could remove the current need for limited companies to reincorporate themselves in the corresponding legal form in all the EU member states in which they want to work.

5.3. Improve communication on EU funds

As regards EU funds, enterprises suggested **better communication on all information regarding EU funds**, e.g. on their goals, their eligibility criteria or reporting standards. This would better equip enterprises in accessing and using existing EU funds.

Generally, enterprises complained that the European Commission still communicates too distant and too complicated. Ideally, the European Commission would simplify communication with SMEs and become more approachable through their website or by email contact.



5.4. Encourage networking of start-ups with corporates and investors

Interviewed enterprises would appreciate the public sector's support in internationalising their business. It was suggested that national or European chambers of commerce could better assist SMEs in identifying partners in foreign markets.

Considering that the relevance of the trend both for small and large companies, interviewed enterprises further recommended that the public sector should better **support enterprises in their networking activities**. The European

Commission could open its business networks, for instance by connecting innovative SMES with large corporates.

To better connect European start-ups both to other enterprises, but also to the policy maker and investors, a **"European Start-up association"** could be set-up. Such body could serve a better representation of the needs of start-ups at a European level and also distribute information to enterprises on relevant issues, e.g. on EU funds or legal matters. Business Angels and Incubators could be invited to participate in the activities of such association and share their experience with start-ups on a global scale.



6. Appendix

6.1. Interviews

Company	Interviewee	Position
BrainSins	Francisco Carrero	Founder, CEO
Qubit	Graham Cooke Ian McCaig	Founder, CEO Founder, CMO
Inbenta	Jordi Torras	Founder, CEO
Deskero	Ebe Buzzi	Co-founder, Strategy
Brand Embassy	Vit Horký	Founder, CEO
Whisbi	Alex Bisbe	Founder, CEO

6.2. Websites

BrainSins	www.brainsins.com
Qubit	www.qubitproducts.com
Inbenta	www.inbenta.com
Deskero	www.deskero.com
Brand Embassy	www.brandembassy.com
Whisbi	www.whisbi.com

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