The Future of Airline CX with Mario Matulich
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Roger Dooley [00:00:05]:

Welcome to Brainfluence. I'm Roger Dooley. Regular listeners know I'm a travel buff. Speaking takes me around the world, so air travel is of particular interest. I used to enjoy maximizing my air miles for every dollar spent until the airline said forget miles. Now we're discounting dollars. At Forbes, I've been writing about the ups and downs of airline customer experience and how we're on the verge of even more changes, including new government regulations and new customer experience initiatives from the airlines themselves. Joining me today is Mario Matulich. He's the president of CMP, Customer Management Practice, a company focused on the customer contact industry that offers research, events and online communities. One of his areas of focus is the airline industry. Mario, welcome to the show.

Mario Matulich [00:00:49]:

Great to be here, Roger. Thanks for having me.

Roger Dooley [00:00:51]:

You know, we've got a lot to talk about. I think we've got, got airline customer experience. We've got regulations, we've got call center stuff with AI. Let's begin with regulations. What are these new regulations that are coming out and what's their impact going to be?

Mario Matulich [00:01:10]:

Yeah, it's a really interesting time for the airline industry. First and foremost, the airline industry is always a bit of a unicorn because of the many variables, as I'm sure you covered and do continue to cover, how challenging it is to deliver a top flight customer experience in the airline travel industry compared to many other industries. Given the fact that there are many macro pressures. Right. You're dealing with variables, many variables that have to go perfectly right for that customer to have that exceptional customer experience. There are pieces of the puzzle that sit outside the control of the airline at times, whether it be inclement weather delays, you have your car rental companies that play a role, your Uber driver will play a role, the airport itself will play a role. So it's really challenging. So from the perspective of the government getting more involved, there's an interesting dynamic here, and I think there's a component of it that's very positive for the airline industry.

Mario Matulich [00:02:09]:

And then another component that I think has to be considered as we go forward that could potentially not be so positive. I'll start with the positive side. I think to be able to create some accountability and to have the guardrails in place that protect the customer as the government has done in other industries, is a really positive step forward. When we think about the rules that have been delivered and the governance that's been put in place by the Biden administration, I think there's really positive components of this when it comes to the refund clauses that are now going to be implemented across canceled or changed flights, delayed baggage that doesn't get to you within 12 hours. I think that. And

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then you think about the extra services. We've all been there when the Wi Fi simply doesn't work right, and how do you go about getting that refund? So I think these are all really intuitive and really smart in terms of steps forward. It is going to change the landscape quite a bit, though.

Mario Matulich [00:03:03]:

CX is an interesting competitive battleground for every industry, and it's a battleground that allows for fair business to take place for your customer to have a choice for you to be able to choose what airline or what provider you want to work with based on how they performed for you. So that natural accountability is very much in place. And so we're starting to level the playing field here a bit, which I think is absolutely needed. But now it'll be interesting to see how these airlines will now compete in different ways going forward compared to maybe how they competed up to this point before these rules were announced.

Roger Dooley [00:03:37]:

Mario, it seems like the flyer experience might improve because this, I think I recall a day when people were constantly getting bumped from flights. I mean, we know airlines overbook, but there weren't too many guardrails at that point. And it was only after regulation made that a lot more costly failure. If you overbooked and then ended up bumping people, that really now it rarely seems to happen. You know, occasionally hear mass for volunteers, but involuntary bumping seemed very rare. So do you see a similar effect from some of these rules?

Mario Matulich [00:04:12]:

Yeah, I think so. And like I said, the rules that have come down are very much intuitive. I think they're absolutely needed. And I think there were situations that the customers left holding the bag, I guess, pun intended, right. They were in a situation where the customer was treated unfairly and the consequences and the accountability was lacking. There are ten major airlines. So when you think about your choices, sometimes you don't have the amount of choice and the amount of ability to choose a different provider or a different brand the way you do in many other industries. Think retail, think financial services.

Mario Matulich [00:04:45]:

There's a lot of choice there. Your insurance company. When you think about airlines, the flight has to be at the right time. You have to be living in a place where that hub is. They're represented in that particular hub. If they're not, then maybe your airline of choice has to be even limited further beyond those ten major airlines. So you don't have the same amount of options that you do in many other industries. So to have the government create some guardrails that protects the customer experience in a very basic way.

Mario Matulich [00:05:14]:

Right. We're not talking about things that are overstepping when you think about, well, the flight didn't happen. I shouldn't have to go through all of these hurdles to simply get a refund. My bag was lost, and it didn't return to me for days. These are basic, back to the golden rule. Treat your customers how you want to be treated. And these are very fair and basic guardrails, I think, are absolutely going to put the customer first and help airlines keep a foundational customer experience. But again, I think, how do they compete to go above and beyond and win business and win market share? That's going to be a very exciting, I think, a very exciting conversation, and one, I think, that will benefit the customer experience in the long run.

Roger Dooley [00:05:56]:

Well, actually, I've been noticing some minor competition on customer experience in the last few years. You know, I'm old enough to remember a day when airlines were regulated, and that was the only area where they could compete on the flyer experience, service in the air. You know, things like that, that because their prices were set, their routes were pretty much set, and their schedules were set, so that was how they competed. And then once they were deregulated, price competition became the name of the game. And suddenly everybody's trying to offer the cheapest prices. And the big airlines decided that they had to compete with the discount airlines. So they introduced products like basic economy. They turned many amenities into a la carte features like checked bags for most, in most cases, other things, food on the airplane.

Roger Dooley [00:06:50]:

Suddenly, all these things became extra cost items and, of course, packed more and more seats into the airplanes. And to me, it was like a gradual and continuous decline in customer experience until a few years ago, where you wonder, well, they certainly can't fit any more seats on the airplane or take away any other amenities. But lately, I think I've seen a few signs of hope. We saw, well, a couple of years ago, United announced that they were putting in flight entertainment screens, big screens, in every single seat. Even back in basic economy, we've seen the elimination of fees for changing flights, and just a few, I guess. A couple weeks ago, United announced that they had signed a huge deal with Starlink to offer Wi Fi across all of their flights. And this has improved Wi Fi because Starlink's technology is better than what they were using in most cases, and they were gonna make it free for customers. I mean, this struck me as almost unheard of.

Roger Dooley [00:07:45]:

Wait, you're offering a better service and you're gonna give it away? So, I mean, I guess I'm cautiously hopeful that this means things are changing for the better. But what do you think, Mario?

Mario Matulich [00:07:54]:

You're absolutely right. It's exactly where I think the industry goes next. We needed a minimum level of customer experience that's just simply, it's the basic level of delivery that we should be protecting our

customers in such a way that if the service wasn't delivered, they're eligible for a refund. If their bags weren't returned, they're eligible for refund. Flight didn't take off and was canceled, they're eligible for a refund. That should be really easy, which I think is going to be really interesting. I know there's some timeframes of how long an airline will have to be able to return the original form of payment as it's been outlined in the rules, but how quickly they're able to do that, what type of technology they can get in place to get a quick and effortless return of funds to that customer will be a differentiator for some airlines. Do they have technology in place to be able to do that to where it's even less of a hassle compared to the alternative option that'll play a role? To your point, in flight experience will be a competitive battleground that will be lifted higher on the priority list.

Mario Matulich [00:08:57]:

Because if certain elements are being governed by legislation, well, then where can we compete and where can we personalize experience? Where can we create ease and speed and other forms of customer experience delivery that are so critical to how customer defines their loyalty to a given brand. Yeah, these are areas that will be further defined and in the end, the customer will be the great beneficiary because you'll see this level of competition. And that's when I say, when we talk about that balance of having the right governance in place, but also maintaining a level of laissez faire to where these rail airlines still can compete. We want that as customers because that competition is going to yield better experiences. And that means that you're going to have a natural accountability. Choose Delta versus American Airlines as an example because Delta has improved their in flight experience or has done a better job with those refund situations when flights are canceled due to inclement weather, those are going to be interesting challenge areas and focus areas for those airlines that will ultimately allow them to win more market share and gain our loyalty. You and I, Roger, will fly with those airlines because we will have had a delightful experience, whether it be in flight or in the process of handling a refund situation because of a situation outside the control of the airline, or if a bag did get lost, because they're still going to get lost, let's be honest. But they were able to be returned because the right resources were put in place to ensure that that bag got back to my home or my location of my destination in a timely manner.

Mario Matulich [00:10:30]:

These are all going to be very good things for the industry.

Roger Dooley [00:10:33]:

Mario, do you think any particular airlines are better or worse equipped to deal with the changes? And some will be able to adapt quite easily and others are going to have more difficulty?

Mario Matulich [00:10:43]:

Yeah, I think you'll see some variations across the airlines. I think some that have already invested in the digital foundation. The digital experience will be a bit more advanced on some of these things because

when you think about the automation of those refund situations that are going to be regulated by the government, certain airlines have that infrastructure in place and have already made massive gains with their digital experience to where they have the rebooking technology. When a flight changes and it's automatic and you don't have to interact with a human being, you're able to self serve and choose your next flight. Not every airline has advanced technology when it comes to digital customer experience. Some do. And I think those airlines are going to have a massive advantage because, you know, we can't get ourselves. There'll be a pretty massive administration administrative lift with this.

Mario Matulich [00:11:31]:

I mean, we're talking about how many canceled flights per year, how many changed flights per year, how many baggage delays or situations where service wasn't delivered. These are all categories that are now going to be automatic, as per the government automatic refund. And having the infrastructure in place to be able to return those funds in a seamless way to not only meet the government standard, but then to also delight and surprise your customer. The customers that have that digital infrastructure will certainly have an advantage, in my opinion.

Roger Dooley [00:12:03]:

Yeah, surprise and delight seems like for years was pretty much absent on airlines. Maybe surprises, but not so much delight. But I'm glad you're as optimistic as you are now. I know your specialty is contact centers, and I'm lucky. I've been elite on United for years, so my contact center experience is pretty good. The phone gets answered almost immediately every time, and the agents are very competent people. But how would you characterize the state of contact center experience for most flyers across the industry?

Mario Matulich [00:12:37]:

Well, we're seeing an interesting dynamic, and this is going to add another wrinkle into what we're already seeing, which is there's a pretty strong push from most organizations. Airlines are in the same boat where they're looking to move into a situation where they can drive more of their customer interaction into a self service environment. And you think about the lower complexity inquiries and being able to handle those via various other channels that are not specifically the voice channel. And what you're seeing a lot of organizations do is they're reducing their human resource associated with the voice channel, trying to at least govern or stay at the same level, if not drive that level down, reduce by 2030, 40%, even in certain cases. And they're putting a lot of investment into the technology that then can handle those various inquiries, whether it be through chat, sms, other forms of AI driven channel that can help support these types of inquiries. However, sometimes those investments are misguided and often those decisions are made in a boardroom and not necessarily worked out to understand the true customer journey and all that could go wrong in those various channels. And so what we find is that very often an organization will spend a lot of time and money building out their self

service experience, only to find their customers flood directly back to their voice channel. But now they're going to get a different version.

Mario Matulich [00:14:08]:

I always say it's kind of like the movie back to the future when Marty goes back to an alternate in 1985. Well, when you go back to the voice channel, you used to love and adore and felt most of your loyalty was born because of the customer experience you had in that voice channel. And now you've gone to self service and had a poor experience to revert back to the voice channel. It's not the same as you will have remembered it, because the resources are fewer, the wait times are longer, the agents you're working with are probably a bit more stressed out, a bit more anxiety stricken because of the level of volume they're handling, the complexity of the inquiries they're getting. And so we're seeing this sort of perfect storm, if you will. I know every airline will have to have considered, and if they haven't, this is their word of, this is my word of advice to them to consider what this rule change is going to do to the volume of inquiries you're going to receive via your voice channel. Because you and I follow this, we're in this all day long. This is what we think about, this is what we do.

Mario Matulich [00:15:07]:

The average person probably doesn't even know these rules have been been delivered. They don't know a lot about how this is going to impact and you will see a lot of questions and a lot of customer inquiries around these rules when things go wrong or things don't happen. And so if you don't have the technological infrastructure in place, if you don't have digital infrastructure in place, that voice channel is going to feel an increase, is my prediction. And if you're already moving into the place where you want to reduce resources there and drive more into a self service environment, and facing the challenge that I was just outlining, this is only going to exasperate that particular challenge, in my opinion. So we'll see. It'll be very interesting to see how the airlines handle this.

Roger Dooley [00:15:45]:

Well, thinking beyond the airlines, just contact centers in general, a lot of chatbots have been implemented. And you kind of implied this, that maybe the chat bots that are out there now are in many cases not providing an ideal customer experience. They're just really frustrating the customers. So by the time they get to a human, they're already upset. There's a lot of interest in improving chatbots using AI. And how do you see the state of the industry at the moment? And how far away are we from much more effective chatbots and or much more effective AI support for human agents?

Mario Matulich [00:16:23]:

It's a really interesting challenge right now for the customer contact CX leader. So, a couple of positive notes. You're seeing a lot of the decision making for the tools and technologies that are needed to deliver top flight customer experiences via self serve by AI being moved to that executive. So they're shifting from the CIO CTO into the executive head of customer experience and customer service

challenge there is that those people don't have two and three decades of CTO or CIO experience, but being tasked with these decisions because they are closer in proximity to the customer and therefore can make a more customer first investment when it comes to the tech that they are procuring now challenge that they're up against when they're having to do that, is there is an incredibly noisy market. So the amount of technology that's available to these executives is abundant. So much so that the noise is at the highest pitch I've ever seen it. To be able to make a decision on what technology fits or suits your needs is incredibly difficult. Right now.

Mario Matulich [00:17:29]:

It's new territory, there's early adoption. But to be able to decipher which tools are going to help you achieve your outcomes versus others, it's daunting. So we're trying to consistently create frameworks for our entire customer contact executive community to be able to better assess the various technologies and make decisions on what, which technology will in fact help them deliver the outcomes that they're looking for. But it's a challenging one right now. It's very, very difficult.

Roger Dooley [00:17:58]:

Do people really want to talk to a human, or do they just want their problem solved? I think that's an existential question because people say, wow, we really want that human contact. But is that just because the automated solutions are currently so bad?

Mario Matulich [00:18:14]:

Yeah, it's a trust factor, and so it depends on the inquiry. There's oftentimes that people don't want to talk to a human if they're able to solve their problem through self serve, that is their preference. There is some gap in terms of current systems and what they're capable of delivering versus what is expected by the customers. There's a mismatch on what a great self service experience looks like compared to what organizations think a great self service experience looks like. So that's definitely something the customer feels, and it increases a lack of trust amongst the customer. The other component to consider, though, is that there are certain customer problems or customer challenges that are better suited for human interaction. And we think about things that are near and dear to our hearts. So we think about healthcare, we think about financial services.

Mario Matulich [00:19:10]:

If there's a fraud, fraudulent charge on your credit card, or there's a fraudulent activity, generally speaking, this is something that comes with a high level of anxiety, and as a result, the customer feels more comfortable talking to a human being and not trusting the technology to deliver news about their health or give them the assurances that their accounts are safe at their local bank. So these are the areas that still will require human intervention, which is why I think most organizations and most leaders in this space will agree that AI will not fully replace the, the human interaction. However, it will create a really exciting future where the customer contact agent, frontline worker will have more exciting work,

more complex work they'll be trained to do in skill areas that will serve them really, really well in the latter parts of their career as they continue their journey. And at the same time, some of those lower complexity interactions will happen faster, will happen more seamlessly. The customer will be happier because they didn't have to have the human interaction because they didn't want it. And we're seeing that across the board. I mean, you can use silly examples like a local pizzeria that has an app and a chatbot will be the pizzeria of choice over the pizzeria that you still have to call in and order your pizza. Why because it's easier.

Mario Matulich [00:20:27]:

It's fundamental. I want a pizza for the family on that Friday night. It's easier for me to go on the app and order it, so I'm going to do it that way. I might have liked the other pizza joint a little bit better, but I'll go with the option that's a little bit easier because of the ease and the speed associated with the order. And those are some of the fundamental components we know the drivers of what makes a great self service experience. And it goes personalization, effort and speed having a massive impact on why a given customer might operate with a given brand based on their self service experience.

Roger Dooley [00:21:01]:

Yeah, I think there's two kinds of executives, Mario. The people that, the ones that implement self service solutions in order to reduce costs, to reduce the load on human agents, and then the other executives that do it to improve customer experience. I mean, if you start out from one viewpoint or the other, what you create for your customers is probably going to look quite a bit different. Which industries do you think? We talked about airlines a bit. Which industries are moving most quickly to AI assisted? Either self service or AI assisted agents?

Mario Matulich [00:21:38]:

Well, going back to your point, just to put an exclamation point on what you just mentioned, you're absolutely right with two types of executives, and the executives that understand that if they prioritize the customer experience first, they'll drive their costs down second. So if they prioritize the latter over the former, the former will in fact be an outcome that they'll get to realize if they're prioritizing that customer experience. It's when it's inverted that unfortunately ends up costing more. But going to your next question, around the industries that are prioritizing AI, if you're a CX or customer contact leader and you're not prioritizing AI, you're far behind the eight ball at this point, unfortunately. So really every industry at this point is starting to consider what can be done to help essentially pursue what I'd outlined earlier around moving the higher complexity interactions squarely within the human resource and the lower complexity interactions in some form of self server AI, where it makes sense. Financial services has made some massive gains. We're seeing high tech as well, being a real leader in this space. You see the likes of Apple, for example, doing some incredible work with their, their self service interactions and sort of their ability to deploy AI into their contact centers.

Mario Matulich [00:23:00]:

Again, I'm very, very excited for the future of financial services. The banks have done incredible work here. Now, some of the smaller banks and some of the regional banks are still working through this. Some of the insurance companies, they still have some work to do, but they have a really strong blueprint with some of the big banks across the globe to be able to follow and invest into some of these channels. They've done some really great work. Healthcare is more of a challenge. They've done some. There's been definitely some conglomerate health systems that have been able to make some significant gains with how they leverage technology like Mychart and other things.

Mario Matulich [00:23:38]:

But there's still a really antiquated, still a really antiquated field. And we're seeing real frustration when I, you know, you call a local physician and you've been trying to make an appointment, and you realize you have to fax over your records and you have to go through still ten pages of paperwork and make sure you arrive an hour earlier. People don't have that time anymore. It should be stored. These electronic records are available. There are solutions out there which health systems have pursued those solutions which have nothing. You're seeing those health systems thrive. Other health systems are still really struggling as a result of their inability to move into the digital age.

Mario Matulich [00:24:22]:

And then I'm also seeing some really good work done by retail and of course, travel and hospitality, as we talked about. Both are, I think, holding serve, and they're making good, strong, solid gains. But the great thing about customer experience is you don't have to, you're not often compared to your top competitor in your industry vertical anymore. Most customers are comparing. I'm sure you've heard this before. It's very common, something you'll hear at many conferences where you are being compared against the last great customer experience that that customer receives. And if it was because a package ended up on that door via Amazon, or it was because they went down and we were able to schedule that annual physical within three clicks on their MyChart app and got that all sorted out on the health system. Or because a fraudulent charge on their credit card was handled through SMS on three clicks and your new card was in the mail.

Mario Matulich [00:25:18]:

These are the experiences that have been held as great customer experiences. When you go into the airline, or you go to book your flight, or you're looking at your travel experience, that customer's not thinking about the last flight they took with United, or American or Delta. They're thinking about the last experience they had at Chase bank, or NY Langone Health System, or at Walmart, because that was the great experience that they remembered. And they want to see their airline meet the same standard of delivery.

Roger Dooley [00:25:45]:

One last question, Mario. I predicted that call center and contact center employment is going to drop over the next few years, and in particular, the sort of first level, often offshore call centers where the level of service they're providing may not be that great for customers anyway. What's your take on contact center employment in the coming years? And will it disproportionately affect, at least from, say, us companies, their offshore operations or all of it?

Mario Matulich [00:26:18]:

There's going to be, I think, a healthy level of disruption, but I think it's high value disruption. It's disruption that's going to serve the customer well over time, and it's going to serve a lot of these organizations well over time. Again, I referenced where, if we're able to implement the right technology to service those lower complexity inquiries, and those higher complexity inquiries are going to shift more squarely into the channels that are being operated by humans. Now, that's exciting because that means that we're going to be training people in a different way. We're going to be creating skill sets and developing skill sets at the foundation of the contact center that will serve those people well over the course of their career. And that means whether they stay within the customer service function or if they move on and do other things within the organization, they're going to have a skill set that they wouldn't have had perhaps ten years ago. So the skill development through the contact center operation is going to accelerate quite a bit, and I think that's going to serve organizations well from a talent management perspective, what those people will be equipped to do within an organization to have a real impact. So that's, that's a very exciting component that I think will be a major benefit for most organizations that are still investing in their contact center and the people within their contact center.

Mario Matulich [00:27:36]:

Additionally. Yeah, additionally, when you think about the BPO market, as I referenced, a lot of the technology investment is noisy and challenging, and it's moving at such a rapid pace. Epos are equipped to be able to support that in a way with, with a level of agility and nimbleness that maybe a given organization might not be able to do. So the value proposition of the offshore BPO is going to shift from a cost effective, talent based economic development tax break base to that outsourcing pitch has been very similar for the last probably two to three decades. The regions have shifted. If you see investment into different places, whether it be India, Asia, PAC parts of Europe, onshore, US, even Caribbean, Latin America, you've seen trend lines from a BPO investment perspective move. But what you're now going to see is the value proposition. Move from a commoditized value proposition to one that I think could be really unique, a really unique value proposition in the form of what technology you can support, what integration capability you have, what tools you have available for the agents that you're employing to support that given brand.

Mario Matulich [00:28:47]:

I think that value proposition is going to shift quite a bit, and that's going to disrupt the market in a way where perhaps the BPO leaders will shift quite a bit. Some of those up and coming bpos, I think, have an

opportunity to unseat some incumbents and win different shares of market that perhaps they didn't have previously. So that's an industry that's certainly primed for disruption, but it's an exciting one and one that we're excited to support both the tech and the BPO industry when it comes to contact centers.

Roger Dooley [00:29:14]:

Mario, how can people find you?

Mario Matulich [00:29:16]:

I'm on LinkedIn, so you find Mario Matulich on LinkedIn. customermanagementpractice.com is our website. Our Customer Contact Week brand is our leading customer contact event series. We run that three times a year. Our flagship is in Las Vegas in June. We're going to be in Nashville next month in October, and then we're in Orlando in January. But, yeah, you can follow me mostly on LinkedIn. And, we try to keep everyone informed on some of these trends.

Mario Matulich [00:29:44]:

As you know, Roger, it's a fast moving space and it's one that's coming with an abundance of challenges. So we're hopefully going to be there to support this community as we move forward.

Roger Dooley [00:29:54]:

Mario, thanks for being on the show.

Mario Matulich [00:29:56]:

Thank you so much for having me.