



# Putting Customers in Charge

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## Customer Experience Management

From behind the profit numbers and marketing analysis, in the wake of optimization efforts, ad campaigns, and sales pushes, it's easy to measure the level of your business success. From that vantage point, your customers seem happy.

But as good as those numbers may look; most organizations have a blind spot. Because of globalization, competitive pricing, varied customer touchpoints and rapidly changing consumer needs and desires, permanent changes have come to the customer relationship landscape.

Businesses which once looked inward to optimize production in an effort to maintain a healthy bottom line are now realizing that optimization may not be the answer they're looking for.

More, customer relationship management (CRM), a system aimed at improving customer service, and using customer information for target marketing—often computer program-based, has left something to be desired in the battle for the consumer dollar.

While businesses which implement CRM notice a measurable return on investment and have found it to be a valuable tool, experts say the effort is based on what business leaders perceive customers want, or what a database tells them customers want. In fact, research shows what customers say they want in surveys and focus groups is often different than the choices they make. So, in effect, CRM is only a single piece of a larger puzzle, albeit a valuable one.

“Too many executives want CRM deployed quickly and broadly because they think it will bring a rapid return on their investment. Not only do these executives underestimate the magnitude of the task, they also fail to understand what the customer really wants from a business relationship,” writes Frederick Newell, author of [CRM Doesn't Work: How to Win by Letting Customers Manage the Relationship](#).

Newell explains that businesses too often target customers like hunted animals, i.e. target marketing, and that, for consumers, can be a turn off, prompting

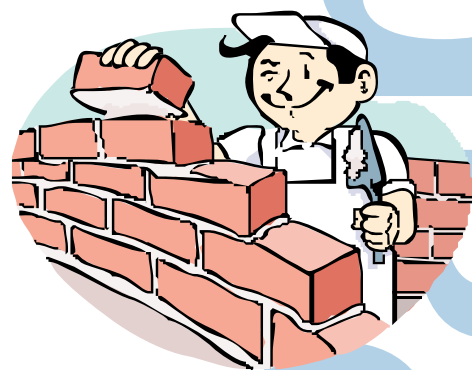


clients to opt out of mailing lists.

“Customers want companies to make their lives easier and less stressful by not forcing them to do anything they don’t want to do. With product and service options exploding on the Internet and through multichannel purchase opportunities, the balance of power has shifted to the customer, and the customer wants control.”<sup>1</sup>

Enter Customer Experience Management (CEM). Centered on addressing customer needs at every touchpoint in the relationship, including all communication methods and all channels, CEM enables businesses to differentiate themselves from the competition—not through traditional means of pricing or quality improvement, product features or even target marketing—but by shaping the customer’s interactions with the organization to better address their needs and desires at every step of the way: from ordering and fulfillment, to billing and support.

**The final vision:** whether your customer has reached the call center for support, ordered a product online, entered a bricks-and-mortar store for product guidance, or paged through a catalog, her experience with the goods and services she seeks to purchase is so-well-conceptualized and strategically managed from start to finish, that there is no finish; she becomes a loyal customer and an ambassador for the organization.



## What is Customer Experience Management?

The term Customer Experience Management was first defined in a 1998 article in the Harvard Business Review by Joseph Pine II and James H. Gilmore, who later published a book on the topic, *The Experience Economy*. “CEM strategists work with companies to create integrated plans which ‘order the paths’ that customers commonly follow in the purchasing process. These multi-path strategies work to ensure that customers have an intuitive, pleasing experience at every step of their journey. As a part of Environmental Analysis, strategists also focus on applying experience innovation to customer environments to remove barriers that confuse, inhibit, discourage or de-motivate customers, and create a more engaging, efficient, pleasing, personable or memorable environment within which to interact.”<sup>2</sup>

Many organizations devote substantial budgets to marketing. The issue that customers are teaching organizations is this: no matter how much money you throw

<sup>1</sup> Newell, Frederick. *Why CRM Doesn't Work How to Win by Letting Customers Manage the Relationship*. New York: Bloomberg P, 2003.

<sup>2</sup> Duncan, Leigh. “Just What Is Customer Experience Management, Anyway? : MarketingProf’s Articles.” *MarketingProf’s - Marketing Resources for Marketing Professionals*. 10 Jan. 2006. 13 Apr. 2009 <<http://www.marketingprof’s.com/6/duncan3.asp?part=2>>.

at positioning your product and/or building your brand, if the delivery doesn't live up to the hype, you will not win their loyalty.

If, for example, a potential customer has learned from an expensive mass media image campaign that your organization offers trained experts in bricks and mortar locations who can help them choose the best widget, yet upon entering the location closest to them they are ignored by a sloppily-dressed salesperson who's more interested in a personal telephone conversation than in offering knowledgeable service, all of that marketing money has effectively been flushed down the toilet.

Once they understand the scope of CEM, business leaders hoping to re-examine their organizations and implement changes based on the findings will, before long, realize the depth of the concept's complexity. The weak need not apply. "Our consumer experiences are composed of our use of a product or service itself—whether or not it met our expectations—as well as the experience of selecting and purchasing the product or service."<sup>3</sup>

## Moments of truth

Contemporary analysis of CEM suggests the customer experience balances on key interactions with an organization, which researchers refer to as "moments of truth."

A moment of truth can occur any time a customer interacts with an organization.

To truly see these moments of truth, business leaders need to pull themselves out of what one expert calls, "Inside The Bottle Syndrome;" i.e. the inability to see from the customer's experience. Inside the bottle, critical perspective is lost; we hear only business concerns and think the way the business thinks.

A moment of truth occurs anytime your customer has an interaction that gives them the opportunity to revise or form an impression of your organization, to judge the quality of the product or service, whether it's positive or negative.

From the look of your store, building or parking lot, your marketing efforts, how the receptionist greets the client, or how quickly and politely the phone is answered...it's not just interaction with your staff at the point of sale, though that matters, too.

From inside the bottle, it's difficult to understand the customer experience. People are buying your product, right? That alone seems to indicate a positive experience.

<sup>3</sup> Eisenberg, Bryan, Jeffrey Eisenberg, and Lisa T. Davis. *Waiting for Your Cat to Bark? Persuading Customers When They Ignore Marketing*. Nashville: Thomas Nelson, 2006.



“Research by Bain & Company shows that in business after business, 60% to 80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection.”<sup>4</sup>

Satisfaction is a fleeting experience, and can be changed at any moment of truth. Terrifying, isn't it? To get an outside the bottle view, companies need to look at customer loyalty, which offers a more accurate picture of how the business is performing.

Think about inside-the-bottle-decisions your company is making. Removing a lone grape tomato from an airline salad, or cutting the complimentary bag of peanuts may appear to be a good financial decision, yet the true cost is determined by the customers, and the loss to the organization is difficult, if not impossible to measure.

Such incremental business changes, argue experts, often alienate customers. The moment of truth here comes when the passenger in first class notices the reduction in services, even on a subconscious level, when she looks at her salad and sees only iceberg lettuce. CEM encourages businesses to look at long-term relationship building, rather than short-term optimization or cost cutting solutions. CEM calculates the true cost of cutting that bag of peanuts or that grape tomato.

Moments of truth must be managed individually—and, whoa, there are a lot of them. How to get a grip? Develop these customer-focused habits:<sup>5</sup>

1. Never stop learning. The details that are important to your customers are ever- changing. The information you have this week may be sorely outdated by next week.
2. Ask your customers. The only reliable way to identify your customers' particular, peculiar moments of truth is to get them to describe them to you. You may want to hire experts to do formal surveying or focus groups, but farming the Internet for this information can be just as valuable. More on that later.
3. Ask your company. Does your company conduct continuing surveys and studies? Stay on top of them. Make sure you know what the researchers know, and your customers will benefit in the long run from better service.

<sup>4</sup> Eisenberg, Bryan, Jeffrey Eisenberg, and Lisa T. Davis. *Waiting for Your Cat to Bark? Persuading Customers When They Ignore Marketing*. Nashville: Thomas Nelson, 2006.

<sup>5</sup> Anderson, Kristin. *Delivering knock your socks off service*. New York: AMACOM, 1998.



What sets superb customer experience management apart? Several factors, according to author Fred Bennekom.<sup>6</sup>

1. Recognition that customer interactions are customer experiences. When service is exemplary, the positive experience becomes an experience we value.
2. A process is designed with the customer in the forefront of consideration. Put yourself in the customer's shoes for all potential touchpoints.
3. Recognition that variability is the enemy of effectiveness. Just as variation in processing goods increases the cost of production, variation within service interactions leads to a loss of effectiveness at the customer level, reducing confidence in the product or service.
4. Instillation of the customer experience focus into the culture. Your organization must support enhancing the customer experience.
5. Recognition that good CEM design costs little, and may be free. Bennekom explains that many companies are choosing to improve the customer experience with efforts that cost little to implement. Small gestures can have a huge effect on the customer experience.
6. Sensory agents for when the customer experience needs to be rescued. In spite of an organization's best efforts, mistakes happen. Customers get frustrated, and your organization may want to address it. CEM will help you identify where a process needs improvement and where customers are in need of a service recovery.



## Making CEM work for you

Implementation of a CEM strategy is an enormous undertaking, as is any business-wide change. The concept itself has inspired hundreds of trade magazine articles and books, and many companies offer CEM consultation services.

A full-fledged effort will likely require much research and perhaps partnership with a company that specializes in CEM. However, some researchers boil the effort down to five steps:<sup>7</sup>

### Step one: Analysis

Analyze the experiential world of the customer, including the sociocultural context of the customer, such as her needs, wants, and lifestyle; analyze business concepts: the requirements and solutions. The Internet offers

<sup>6</sup> Bennekom, Fred V. "Customer Experience Management - By Design." GreatBrook.com. 10 Apr. 2009 <[http://www.greatbrook.com/customer\\_experience\\_management.htm](http://www.greatbrook.com/customer_experience_management.htm)>.

<sup>7</sup> Kalyani, V., and P. Priveen Babu. "A Framework for Customer Experience Management." 13 Apr. 2009 <[http://www.indianmba.com/Occasional\\_Papers/OP114/op114.html](http://www.indianmba.com/Occasional_Papers/OP114/op114.html)>.

remarkable transparency to allow us to see into the minds of customers. Are you using it?

Web analytics can track and measure aspects of the relationship with the customer that were simply unavailable in the past. Even the wording customers are choosing in searching for your product or service is valuable. Analysts can gather and examine that information to determine what your customers are expecting, what they need, and how they perceive it. Yet even here, some organizations come up short of true CEM, by using search engine information to craft messaging.

If the organization is making the equivalent of empty promises through marketing to get the best search results, customers will be disappointed. No matter where your product or service comes up in search results, you have to deliver on those promises to maintain them and give them a great experience with your organization.

Tremendous valuable consumer information can be gleaned from the Internet. Consumer generated content, while frightening for some organizations, offers a raw view of what customers are saying and thinking of you. Look to online forums, discussion groups/message boards, customer reviews and blogs for candid information—the kind you'd hoped to glean from focus groups or surveys, but without the middleman getting in the way.



Research shows, time and time again, word of mouth trumps all other marketing efforts. Ask yourself: what are your customers saying about you? If you don't know (or if you think you know), start looking on the Internet.

"Customers can easily get word-of-mouth information online through consumer-generated media—things like blogs, product reviews, and discussion forums. A contact anywhere on the face of the planet is no further away than a cell phone call, a text message, or an online chat."<sup>8</sup>

That recommendation will trump any marketing campaign, any information the customer gathers. These days, customers expect a level of personal communication tailored to their needs and wants. Chances are the information is already out there, and your organization just needs to choose to participate.

Transparency is what customers crave (consider the recent presidential election). Transparency inspires customer confidence.

### **Step two: Build the experiential platform**

Realize the connection between strategy and implementation. Specify the value customers can expect from the product, known as the EVP, or experiential value promise.

<sup>8</sup> Eisenberg, Bryan, Jeffrey Eisenberg, and Lisa T. Davis. *Waiting for Your Cat to Bark? Persuading Customers When They Ignore Marketing*. Nashville: Thomas Nelson, 2006.

Think about companies you know where the brand is well-articulated and you and other consumers know what to expect. When everything an organization does reflects the brand, it leads to a satisfying interaction for the organization's customers.

### **Step three: Design the brand experience**

The brand experience includes features, product aesthetics and visual identity.

While mass marketing techniques often use incentives to increase numbers, if the experience is less than delightful for customers, and less than they've come to expect as a result of your marketing, the customer attrition rate will be enormous.

Experts argue organizations should first design the delightful customer experience at every touch point (see #4).

Customize. Micro-market. Develop niche-based messaging. Build your brand according to what your target market wants and expects.

Then, when the marketing campaign drops, you will retain greater numbers of customers by creating brand loyalty. You'll realize a greater success rate with the marketing campaigns you launch, because you have examined the customers' desires and needs and are satisfying them.

More, you'll build customer evangelists. Customer evangelists are your greatest salespeople, clients and non-scheduled focus group participants. They believe in your product or service, they tell their friends about it, they forgive occasional dips in service and they tell you about it when quality slips.



### **Step four: Structure the customer interface**

Implement dynamic exchanges in all touch points with customers, making an impact on customer attitude and behavior, as well as perceptions in value.

Of course, a large part of the customer experience boils down to one word: service. In her book, *Delivering Knock Your Socks Off Service*, Kristin Anderson suggested there are 10 deadly sins of customer service:<sup>9</sup> Think of these within the spectrum of all touch points your organization offers to clients, including call centers, in store, online, etc.

- **"I don't know."** A survey of retail customers showed that the reason for switching to catalog shopping was the ignorance of salespeople in stores. If you don't know the answers, you may find it helpful to add these words to your vocabulary, "I'll find out."
- **"I don't care."** Customers want you to care about them and the service they are getting. When you take pride in offering it, it reinforces the

<sup>9</sup> Anderson, Kristin. *Delivering knock your socks off service*. New York: AMACOM, 1998.



message that they made the right decision in doing business with you.

- **"I can't be bothered."** Actions really do speak louder than words. Your customer will be annoyed if something else takes precedence, and rightfully so. Consider giving them your full, undivided attention, treating them as if their questions and their needs are the most important thing you will deal with during the course of the day.
- **"I don't like you."** If you are sending a message that you are annoyed by your customers, that they are an inconvenience ... the more obnoxious the behavior, the more your customer will remember the encounter, for the wrong reasons.
- **"I know it all."** Allow customers to finish explaining the problem or question – jumping in makes you seem pushy. Listen. By tuning in to what they are saying, actively listening, and responding appropriately, you are sending a message that they come first.
- **"You don't know anything."** Do not cut off, put down, or demean customers. If they are confused or have the wrong idea of what they need or what you can do, and you treat them rudely or insensitively, they will take their business elsewhere in the future. Here's an idea for improving your interaction with customers who are confused or have the wrong idea: treat them as you would want a beloved relative to be treated.
- **"We don't want your kind here."** Prejudice comes in many forms. Do you treat customers in suits better than customers in jeans? Do you assume elderly customers won't understand complex issues, or that young people intend to shoplift? Your attitudes may be showing. Consider creating a culture where you welcome your customers, no matter who they are, how they speak, or what they're wearing.
- **"Don't come back."** The purpose of serving customers well is to get them to come back. If you show that you'd rather be rid of them, or that they're an inconvenience in any way, you will discourage them from returning. You may want to examine how you are saying goodbye to your customers. Are you thanking them and otherwise showing that you appreciate their business? Are you immediately turning to the next customer or project? Are you inviting them back? By examining your behaviors and how you are treating customers on a person by person basis, you may be able to identify areas of improvement, to make the entire customer experience pleasant.
- **"I'm right and you're wrong."** Customers are not always right, but they should get the benefit of the doubt. You may want to check your pride at the door, so it doesn't get in the way of providing a good customer experience.



- **“Hurry up and wait.”** Time may be the number one obsession for people these days. Respect your customer’s time. Consider how long they are waiting on hold, for a call back, for an in-store employee to greet them, or at the checkout line.

Clearly any of these mistakes can alienate a customer, and likely will. Yet, it’s important to remember that customer service is just one aspect of customer experience.

To confuse the two, or use them interchangeably, is to remain blind to the thousands of micro-factors that influence customer loyalty and behavior.

You can have the greatest service in the world at the point of purchase, but if your product fails to live up to expectations and marketing promises, you will still stand to lose customers.

Your charge is to design a customer experience that is consistent, intentional, differentiated and valuable to the customer. Service, of course, falls within that realm.

#### **Step five: Engage in continuous experiential innovation**

Encourage organization-wide innovation that improves end customers’ personal lives and business customers’ working lives.

## Does CEM work?

Sounds like a lot of legwork, doesn’t it? It may even sound like an overhaul in the way your organization does business. So before you embark on a CEM effort, you want to know whether it works, right?

“You bet it does,” said Bob Thompson, CEO of CustomerThink Corp., an independent customer management research and publishing firm, and founder of CRMGuru.com. “In a recent study we measured CEM effectiveness with a 25-question survey on strategy development practices, goals and metrics definitions and usage, organizational alignment, experience redesign and technology usage. We found that CEM scores ‘predicted’ improved business performance (profitable growth) and that growth leaders earned CEM scores 29 percent higher than laggards.”<sup>10</sup>

“We are dealing with a changing economy right now. We have moved from a product economy to a service economy, and now we’re moving into an “experience” economy—which adds a level of emotion that the product or service economies did not have,” said Cincom’s Randy Saunders. “Many recent brands have been successful



<sup>10</sup> Thompson, Bob. “The Next Generation of Customer Management? Customer Experience Management.” *Search GuruBase* (Page 1 of 24). 26 June 2006. 10 Apr. 2009  
<[http://crmguru.custhelp.com/cgi-bin/crmguru.cfg/php/enduser/std\\_adp.php?p\\_faqid=1732](http://crmguru.custhelp.com/cgi-bin/crmguru.cfg/php/enduser/std_adp.php?p_faqid=1732)>.

by really focusing on the customer experience. So, if you do it right, and you design an experience with your products and services correctly, you generate a lot higher loyalty and advocates for your products—which is proven to lead to increased company growth and profitability.”<sup>11</sup>

Fred Reichheld, an author and management speaker, argued that customer advocacy leads to organization growth and customer loyalty, and the more advocates you have the faster your company and profits will grow. Why? Four reasons<sup>12</sup>, he says:

1. They tend to repurchase.
2. They buy additional product lines from you.
3. They refer others, giving you important word-of-mouth marketing.
4. They provide constructive feedback. Advocates fill out surveys or responses for the company, which helps to better a product.

The popularity of a customer-centric approach to business has a substantial bandwagon, and more businesses are jumping on it in this changing economy.

Yet, there are critics. While some argue that CEM is just a reworking of CRM strategy, others take the big picture approach.

“No matter how you spin the work, helping businesses transform, and comprehensively align to manage, measure and improve customer experience is the right thing to do. We may indeed be better positioned to do this today than ever before. If we do our work right, we drive corporate success and make life better for customers.”<sup>13</sup>

Now, that’s good business.



<sup>11</sup> Viscusi, Stephania. “Understanding Customer Experience Management: A Talk with Cincom’s Randy Saunders.” *The World’s Largest Communications And Technology Community*. 12 Jan. 2007. 10 Apr. 2009  
<<http://www.tmcnet.com/channels/hosted-contact-center/articles/4515-understanding-customer-experience-management-talk-with-cincoms-randy.htm>>.

<sup>12</sup> *Ibid.*

<sup>13</sup> Duncan, Leigh. “Customer Experience Management vs. Customer Relationship Management : MarketingProfs Articles.” *MarketingProfs - Marketing Resources for Marketing Professionals*. 31 Jan. 2006. 10 Apr. 2009  
<<http://www.marketingprofs.com/6/duncan6.asp>>.