



Innovation

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Customer Experience – The Marriage of Marketing and Business Process

Marketing is a continuously evolving discipline. From the focus on production with the rise of industrialization in the early 1900's, to focus on selling during the post World War II era, to the market orientation driven by consumer needs in the late-century, the role of marketing changed over time to sustain value for the firm. During the late 20th century, branding, market segmentation and advertising were core marketing practices. The 1990's witnessed additional transitions as the dramatic growth in technology innovation allowed marketers to learn more about their customers and develop approaches to service individual needs. Thus, companies engaged in customer-centric efforts such as Customer Relationship Management (CRM), personalized marketing, mass customization, and social media marketing. According to Philip Kotler, "Marketing has the main responsibility for achieving profitable revenue growth for the company"¹. To sustain profitable revenue growth, companies must focus on the customer. Sam Walton clearly articulated the importance of the customer, "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."² Today, customer-focused strategies are the hot topic in marketing. However, the execution of a customer-focused strategy can appear disjointed because of the fragmented nature of marketing within a company – e.g. the brand promise does not match the delivery experience. To solve this problem, leading companies are creating customer-centric strategies to deliver a holistic view of customer interactions - a total customer experience. This total customer experience is the marriage of marketing and business process.

The Total Customer Experience (TCE) can be defined as the overall impression a customer develops about a company, based on perceptions and experiences at every point of interaction with that company. It includes both the functional performance provided by a product or service and the psychological connection provided by aesthetics, verbal clues, environmental design, delivery mechanisms, and other emotional connection points. Companies that effectively manage functional performance and psychological connections establish a platform for sustained competitiveness. The customer's total experience directly affects perceptions of value, word-of-mouth endorsement, and repurchase intentions. In a study of online retailers, Amazon.com, Barnes & Noble, eBay and Land's End were identified as innovators that have embraced customer service and satisfaction as part of their company's core culture — and have focused on developing functionality to enhance the online shopping experience³. The companies were noted as follows for their leadership and innovation in customer experience: Amazon.com's 1-click shopping, Barnes & Noble's same-day delivery, eBay's person-to-person sales and payment, and Land's End virtual models.

Does this diminish the importance of a company's brand? No. To accomplish a positive customer experience there must be strong alignment between a company's brand and its execution. The brand defines the expected experience, the promise to the customer; and the customer experience validates this promise. This is a recursive relationship with the attributes of the brand being strengthened by an execution that meets or exceeds the brand promise. New brands are challenged by their brand markers (i.e. names, logos, and designs) being devoid of meaning –

there is no history of interaction that customers can reference to validate the brand. Brand markers for established companies (i.e. IBM name, Nike swoosh, Travelers umbrella, and the Harley-Davidson engine sound) are filled with customer experiences. Through direct experience and referenced experience (e.g. third-party evaluation, word-of-mouth, etc.) customers accumulate ideas and fill the brand with meaning⁴. This meaning becomes the basis for the expected experience and value to be provided by the brand. With the customer experience being critical in brand building, many brands are built today with very little advertising (i.e. Starbucks). Every customer touchpoint is an opportunity to build or destroy a brand (Figure 1)⁵.

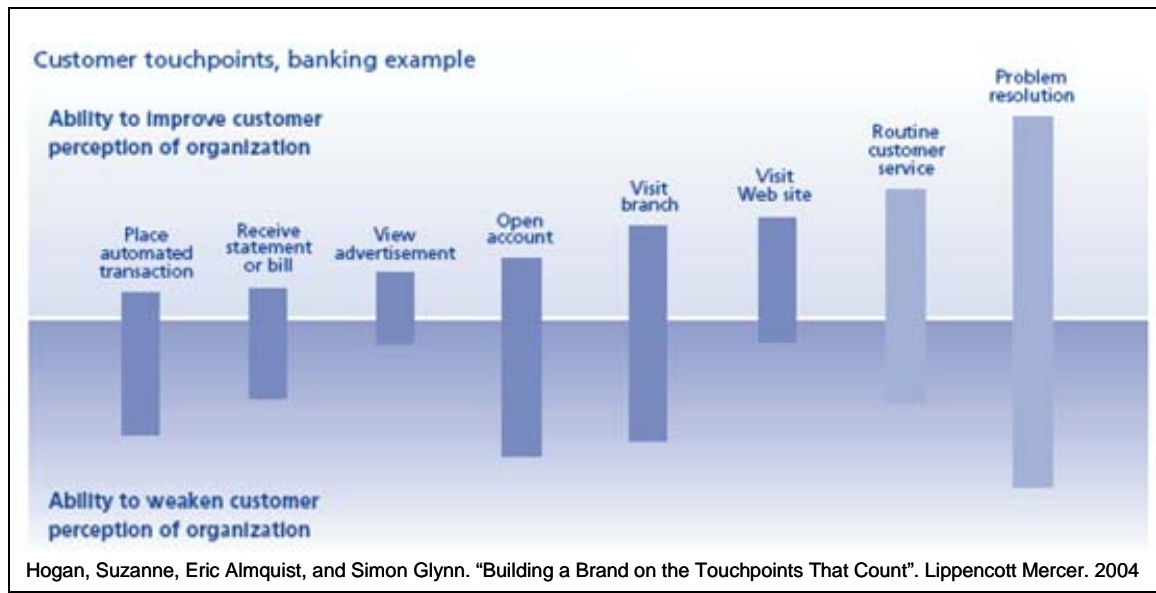


Figure 1: Customer Touchpoints

Customer Experience Management (CEM) is the common name given to the approach used to achieve consistent, positive TCE. According to Bernd Schmitt, CEM is the process of strategically managing a customer's entire relationship with a product or company⁶. It moves beyond the outcome-based concepts of customer satisfaction and loyalty and focuses on the process a company engages to develop customer knowledge, align the organization, design the customer experience, and continuously innovate. CEM provides the key principles and frameworks for orchestrating the total customer experience. James Richardson, CMO at Cisco Systems, states

"Orchestrating the total customer experience is a very realistic and worthy goal, and one we strive to achieve at Cisco. For example, we work closely with our customers through all stages of a network implementation - plan, design, implement, and operate. And customers buy our products and services both directly from us, as well as through many other routes to market. We couldn't provide the level of customer satisfaction that our customers expect if we did not orchestrate our marketing around the total experience."⁷

While CEM methodologies abound – from Bernd Schmitt's CEM Framework to Forrester's Customer Experience Value Chain to custom models designed by individual firms (Figure 2) - there are four key operating principles associated with CEM: 1) develop customer familiarity, 2) design an end-to-end experience, 3) connect emotionally to the customer, and 4) measure and improve.

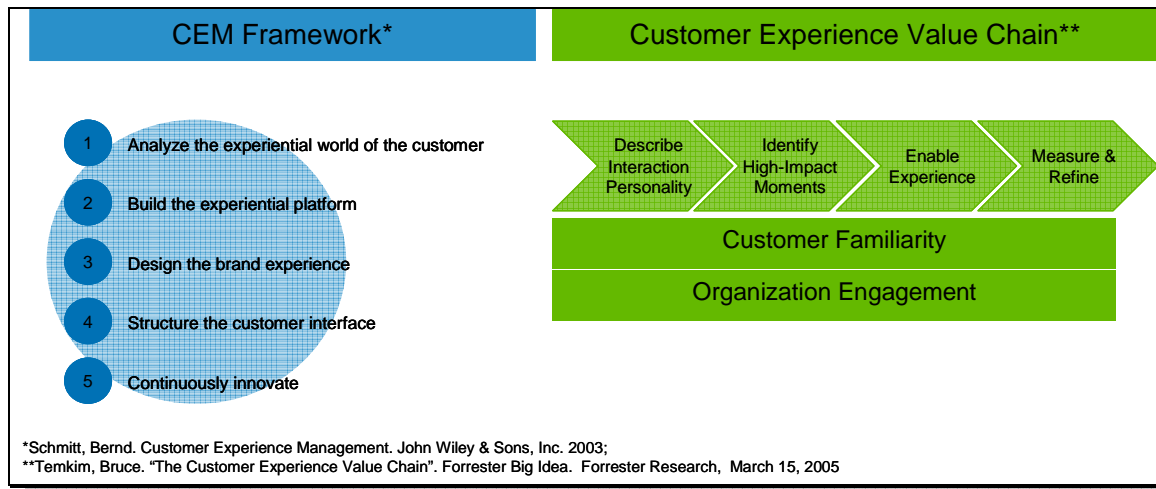


Figure 2: CEM Framework and Customer Experience Value Chain

Develop Customer Familiarity

CRM and market research are starting points for developing a clear understanding of the customer, with databases and spreadsheets enabling customer analytics and segmentation. However, customer familiarity moves from data analysis to developing real insight about the context surrounding a customer experience. It is this insight about customers' interaction needs and wants (e.g. what they are trying to do, how they are doing it, what they are thinking while doing it, etc.) that enables a clear understanding of customers' success factors. Cisco Systems integrates the customer familiarity into the core of their operating model to build successful relationships. According to Pierre-Paul Allard, VP of Enterprise Marketing at Cisco Systems,

"We involve customers at multiple levels to better understand their priorities, issues, and needs. The emphasis is not on pushing products, but on how to build a system architecture that supports productivity and growth....If customer success is not your first priority, you will become a commodity. Once you let customer insight drive the direction of your company, you will deliver true business value."⁸

To enable a deep level of customer understanding (or move beyond the numbers), companies can observe customers in their natural habitat or place customers in real situations to observe their behaviors. Continental Airlines performed research in their President's Club lounge by placing video cameras and observing customer behavior. Executives found that the level of service was a more critical decision point for choosing an airline than amenities such as meals or elite access⁹.

Design an end-to-end experience.

Customers' perceptions are impacted by every process in a company that directly interacts with the customer or enables a direct interaction with a customer. This holds implications for processes and organizations associated with marketing, sales, support, supply chain, accounting, and human resources. The customer experience is delivered, not as a one-time interaction, but as a sequence of activities that must work in concert – as a whole system. Starting with an appreciation of the customer lifecycle from a customer's point of view and the understanding of the organization as a system (Figure 3), an experiential platform, or scenario design, can be built that integrates customer interaction and customer enabling processes.

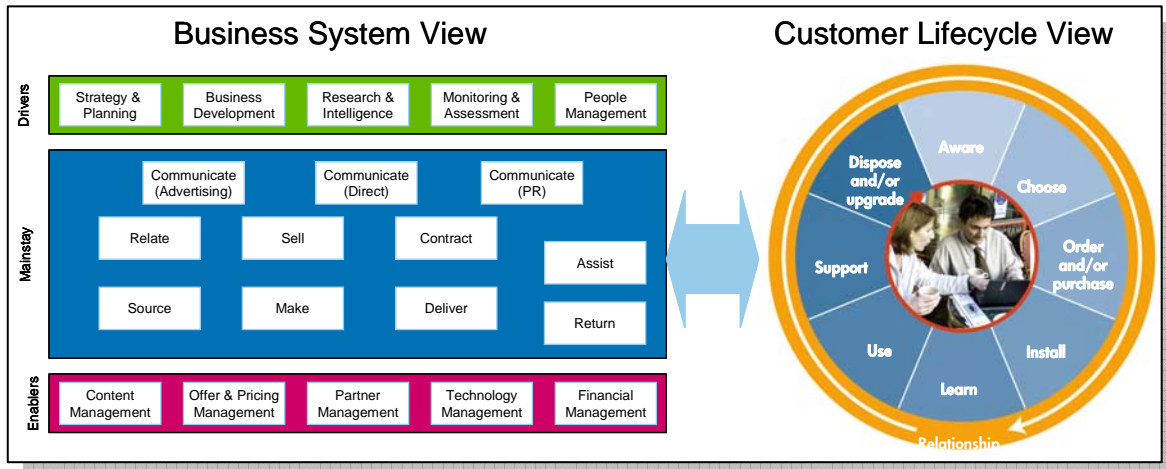


Figure 3: Business System View and Customer Lifecycle View

While sales, marketing, and support are clearly evident in delivering a total customer experience, order management is critical to delivering a valuable customer experience. Every time an order sits unattended, the customer sits unattended. Managers who “staple themselves to an order” will be able to view the organization horizontally, identify gaps, and see the company from the customer’s perspective¹⁰. Krispy Kreme has a long history of delivering “delicious decadence” by focusing on “the hot donut experience”. Why do people still eat Krispy Kreme at a time of increasing focus on healthy eating? The experience is communicated and supported from beginning to end by the “Hot Donuts Now” sign flashing in the window, the smell of fresh donuts as a customer enters the store, the counter-person going to the production line to “get hot donuts” in full view of customers, to the warm-box carried by the customer after a purchase. Any part of the operation that breaks down diminishes the customer experience. Additionally, the managed experience links the emotional connection of “delicious decadence” with an integrated experience and a good product to make customers feel good about indulging and forgetting their diets¹¹.

Connect emotionally.

Marketers have known for a long time that cultivating an emotional connection with a customer drives loyalty. Brand managers often attempt to elicit emotional appeal through their advertising messages (e.g. marketing for Coca Cola), but companies must integrate emotional value into the delivery of products and services. As discussed earlier, a brand and an experience must support each other – the emotional value delivered must be equal to or greater than the emotional promise made. Organizations with effective experience management systems understand and respond to the emotional needs of their customers. They orchestrate a series of clues designed to provoke positive emotional reactions. Lexus recognized this imperative and launched a focused strategy to connect emotionally with its customers and pay attention to individual needs by soliciting feedback and acting on customer data. As explained by James Havens, senior strategic planner for Lexus, “to compete, we had to shift from looking just a customer satisfaction to understanding the emotional connection customers have...Customer expectations are for us to deliver the Lexus experience wherever Lexus is present...Every time you interact with the brand it’s an immersive and engaging experience”¹².

Measure and improve.

To understand the effectiveness of the design experience, companies must measure performance and work to continuously improve. While there are a number of methods to measure performance, Tesco, the UK’s largest food retailer, uses a balanced scorecard approach

with quarterly customer metrics that are tracked weekly at the store level. Tesco listens to customers via continuous feedback at the stores, by phone, by email, and through regularly scheduled customer question times (CQTs). In 2005, Tesco held CQTs in the UK, speaking to over 10,000 customers. The company identified five customer experience factors (Figure 4) that are part of Tesco's Steering Wheel and metrics scorecard: 1) the aisles are clear, 2) I can get what I want, 3) the prices are good, 4) I don't queue, and 5) the staff are great¹². Using clear and accurate measures, companies can improve the quality of the customer experience by eliminating quality problems, reducing cost while maintaining or improving quality, or expanding customer expectations¹³.



Figure 4: TESCO's CQT

Managing the Total Customer Experience is the evolution of marketing and the marriage of marketing with business process. It is a competitive imperative for companies that operate in the global market. It is not a new concept, but a holistic customer-interaction driven approach that links together many of marketing's historical practices. Transformation requires more than executive sponsorship, it requires an articulated and clear companywide commitment to focus on delivering the total customer experience. Every manager and employee must be actively engaged to deliver the customer experience. To be successful, a company must develop a TCE strategy that centers the company on customers, not products, demonstrate strong and committed leadership, and be willing to take leaps of faith that come with aggressive and high impact business decisions¹⁴.

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