

Top 10 tips for deploying customer experience management

In many ways, execution is the hardest part of creating a branded customer experience because in order to deploy successfully we have to mobilise employees at all levels and align competing agendas, functions and executives. This is no easy task. In my work with leading brands around the world I have seen a number of mistakes that are common to many failed initiatives. The good news is that they are all avoidable; so what are the pitfalls to watch out for in implementing your own customer experience initiative? An awareness of these will help you plan for them and find ways to mitigate the risk of their occurring in your own organisation. I have turned these into my 'Top Ten Tips' for success.

1. Successful deployment requires the active and continuing involvement of leadership

Leadership is vital for any significant organisational change yet in my experience most leaders 'stumble the mumble' rather than 'walk the talk'. Senior executives having concluded that the brand is under-performing decide that it is a result of the customer-facing staff behaving in ways that are 'offbrand'. They then issue a memo exhorting employees to 'Put Customers First' or something similar. Executives then return to the important business of focusing on the financials.

My research has shown time and time again that the most significant factor in creating strong companies are leaders who take personal responsibility for communicating, demonstrating and rewarding brand or company values. Amazon.com CEO Jeff Bezos says "Our mission is to be the earth's most customer-centric company". Not an insignificant goal for a dot com that until recently was anxious to deliver a profit. Jeff Bezos and his executive team personally demonstrate their commitment to this mission through their actions and decisions and in the process have created an enviable reputation for reliability and one of the most widely recognized brands in the world.

2. Ensuring cross-functional ownership is vital

If the CEO or President recognises that it will take more than rhetoric to make a difference the next common mistake is asking the Marketing VP, HR Director or Customer Service Executive to 'fix the problem'. The brand and the customer experience must be owned by the senior management team. Each function has its particular part to play but to be successful these three functions must operate as a 'Triad' to optimise resources, efforts and budgets to create a organisation-wide strategy for delivering the brand.

Some years ago the CEO and directors of the UK bank NatWest launched a service improvement program. The initiative was delegated to a mid-level executive to program manage who, despite his best efforts, found difficulty in getting the senior team to really engage in the process or the marketing team to align the timing of external brand communications with the internal service improvement effort. Following a massive advertising campaign to promote its new proposition the bank managed to achieve both bottom of the market customer satisfaction ratings and yet post record earnings (mainly due to favorable interest rate levels). The board congratulated itself on a fantastic quarter. Shortly afterwards NatWest was acquired in a hostile take-over by the Royal Bank of Scotland, a brand with a superior reputation for service quality.

3. Focusing on your most strategically important customers

A common starting point for our work is collecting customer data to inform the definition of a promise and design the new experience. The most frequent client response to this suggestion is "We already have lots of customer data and research so you don't need to". In reality whilst most organisations undertake customer research and collect mountains of data, relatively few know who their most profitable (not largest) customers are.

The fact is that a few customers will typically represent the significant proportion of your profit and these are the ones to focus improvement efforts on. This does not mean alienating less profitable customers. (Although in some cases it may mean suggesting that some customers may be better served by your competitors!). For example Harrah's, the US based entertainment and gaming company, found that 82 percent of its profits came from just 26 percent of its customers and yet it only enjoyed 36 percent of their spend. By focusing on this target segment Harrah's was able to fine-tune its offer to create greater value for these profitable customers. In the year following revenues increased by 17 percent.

4. Finding out what these customers truly value

OK so you do know who your most profitable customers are, but do you know what these customers value and the 3 or 4 most important attributes which drive their intention to repurchase or refer you? Without the answers to these questions you may have data, but you do not have insight. A key component of a branded customer experience is being differentiated in a way that is valuable to target customers. For example, the Fashion Café, the chain of restaurants created by fashion models including Naomi Campbell, was clearly differentiated in its use of fashion memorabilia in the design of its restaurants. However, its offer had no lasting value for people who go to a restaurant first and foremost for the quality of its food and service. As a result, once the novelty factor had worn off The Fashion café saw a decline in business.

5. Designing CEM before installing CRM systems

At the peak of CRM hype, expenditure on CRM systems was estimated to have increased between \$20billion in 2001 to \$46billion in 2004 yet one survey estimated that 55 percent of CRM systems drove customers away and diluted earnings. This is because most CRM systems are installed without any thought about how they will be used to add value for the customer. These powerful systems allow companies to collect knowledge about the customer that can be used to offer them products and services tuned to their particular needs and preferences. However, for many customers the acronym 'CRM' stands for 'Constantly Receiving Mail-shots' since many organisations (and banks are the worst) use them as a blunt instrument to stalk, rather than woo, the customer through junk mail. I predict that the CRM providers will have a serious wake up call if they continue to sell systems without giving any thought to the customer experience they are supposed to deliver. Some forward thinking call-center solutions providers like Cincom are now embracing CEM methodology as part of their solution.

Like a number of business people, I use the Platinum American Express Charge Card for its travel service and benefits, yet I receive unsolicited direct mails shots from the bank Capital One on a monthly basis. The mail shots all say the say thing and offer me the same credit card promoting a low rate of interest. They always enclose a cheap ball-point pen in the envelope. This bank clearly has not taken the trouble to understand me, what I value or develop an offer that is likely to appeal to me. It has gotten to the point that now as soon as I feel the pen through the envelope I throw it away unopened. No wonder that the banking segment one of the least trusted by consumers.

6. Using customer experience to retain customers rather than attempting to lock-in them in through so-called loyalty cards

This takes us on to a common myth: that loyalty cards create loyalty. In fact most don't. Even worse, many cards create customer promiscuity because their rewards are usually incentives and discounts which attract the 'butterfly' customers who like a 'deal'. These customers have wallets full of cards covering every eventuality.

True loyalty cards are about the organisation being loyal to the customer not the other way around. They do this through offering benefits and value added services fine tuned to meet the needs of their most profitable customers. The American Express Centurion Card is one example; the British Airways Premier card is another. Both are by invitation only and provide a bundle of benefits that can only be enjoyed by their most profitable customers. In case you object to my point on the basis that these cards are elitist let's take an example from the other end of the spectrum.

One organisation that has managed to make its loyalty card succeed in the mass-market is the Tesco which is one of the most profitable supermarket chains in the world. Its Clubcard does offer discounts because this is valued by its customers but, more importantly, it captures huge amounts of customer data that is used to continually refine its offer to its best customers. Tesco's mission is to "Create value for customers to earn their lifetime loyalty."

7. Deploying customer experience before allowing your agency to communicate the proposition

The UK State owned Royal Mail decided to re-brand to reflect the broader range of services that it was offering beyond the traditional mail service. It spent millions of pounds on consultancy, signage, communications and advertising but failed to explain to customers how the new brand would create value for them. It also failed to address the underlying performance problems and this led to market cynicism over the new brand. In a highly publicised 'U-turn' the Chairman confirmed that the brand name Consignia was to be phased out - to be replaced by...The Royal Mail Group. Since then the Royal Mail has continued to decline in the service it offers its customers most recently reducing the number of mail deliveries in a world where the norm is the increasing velocity of communications.

Another example of how not to do it is Abbey, the UK based bank. In a blaze of publicity in September 2003 the bank launched a £11million branding campaign intended to 'turn banking on its head'. The bank's 700 or so branches were re-branded with a new, softer, image and new advertising launched promising customers "*Abbey's straightforward attitude and simplified accounts will help you get on top of your money*" Unfortunately, the bank did not seem able to get on top of its own. It reported losses of £686million for the year ending 31 December 2003 in a year when most of its competitors reported record profits. It also failed to communicate the new strategy clearly to its employees or put in place the new behaviors necessary to execute it. It lost the confidence of its people and as a result the brand experienced staff turnover 17 percent higher than the industry average. Abbey was recently acquired by Banco Santander Central Hispano, the Spanish bank that has re-branded it once again.

8. Providing 'branded' training to ensure that employees all understand the brand story

Most organisations provide customer service training yet few are differentiated in the service they provide. The reason is that vanilla training creates vanilla service. This is not to say that all training is bad -it is not. In fact there are some award winning programs that really help to improve customer-facing skills and make service more consistent. But if your goal is to differentiate from competitors this requires 'Branded Training'. In other words training that is designed to bring to life the values of your brand in a way that is consistent, intentional, differentiated and valuable.

For example, in order to teach the senior executives of one large supermarket chain the values of "working faster, simpler and together" we took them out on state-of-the-art racing yachts where the executives had to work with colleagues across the business to achieve certain goals whilst sailing the boats. You cannot do this by working slowly, making the task complicated and working in a silo.

Of course, the challenge as always, is to ensure the relevance of the learning and transfer the new skills to the workplace but that is why we used our most experienced leadership facilitators to brief and debrief the learning and follow it up with shore based reinforcement. The client described the program as a turning point in their change effort.

9. Measuring the customer experience and aligning performance KPI's with it

Peter Drucker's maxim that 'what gets measured gets managed' is still true today. Yet most organisations focus exclusively on end-results measures. Market share, profitability and EPS growth are all vital measures of business performance but they are all lagging indicators- they are a result of differentiation, customer loyalty and brand preference. The answer is to move up-stream and measure and manage those activities that drive desired results.

Harley-Davidson measures its success by a process called 'super-engagement'. This is where the executives actively experience the brand through the eyes of customers by riding with them on a regular basis. John Russell, VP and Managing Director of Harley-Davidson Europe says "We use a lot of the softer measures around the brand; what does the brand experience mean, how is it being interpreted by the customers? We place a big importance on Harley Owners Group measures so, for instance, we measure growth, i.e., an event that was attended by 9,000 this year had only 1,500 people show up four years ago.

10. Sustaining deployment through measuring customer experience rather than customer satisfaction

This takes me to the last on my list of ten most frequent obstacles to deployment; believing customer satisfaction indicates success. Forum research found that 80 percent of customers who switch suppliers express satisfaction with their previous supplier. Satisfaction has become the price of entry not the way to win. The only true customer measure that correlates with improved business results is 'advocacy'. We define this as those customers who give top-box ratings for satisfaction. Nothing else counts – yet we see many organisations adding up the percentage of customers who give 'somewhat satisfied', 'satisfied' and 'very satisfied ratings' and then congratulating themselves that "87 percent of our customers are satisfied or even worse, 'delighted'". The harsh reality for most firms is that 80 percent of customers are vulnerable to competitive offers and fewer than 20 percent are advocates who will recommend you to others.

My CEM+ (Customer Experience Management Plus) Survey measures advocacy and enables organisations to truly measure how effective their customer experience deployment is. We typically use these surveys before and after deployment to measure the ROI of customer experience implementations. CEO Andy Taylor and his team at US based Enterprise Rent-A-Car only focus on one thing; the number of customers who give the highest rating for satisfaction and are willing to recommend the company to others. Frederick F. Reichheld, director emeritus of Bain & Company and author of Loyalty Rules! calls these enthusiasts 'Promoters' and by deducting the percentage of customers who say that they are unlikely to recommend he calculates a 'net-promoter' figure. Enterprise enjoys both the highest rate of growth and, at near 35 percent, the highest net-promoter percentage in the car rental industry according to Reichheld. World-class organisations like Amazon.com have net promoter scores of 75-80 percent.

You will have seen that many of these 'Top Ten Tips' are inter-connected. Brands are holistic and so senior leaders must manage the customer experience accordingly: understanding that each element either reinforces or dilutes value to the customer. These are the companies who will win. Why not use my Top Ten Tips and be one of them?

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