WHAT IS
CUSTOMER
EXPERIENCE?

smith+co
defining customer experience

smith+co
defining customer experience

WHAT IS CUSTOMER EXPERIENCE?

Defining customer experience

Customer experience as a concept has been around for over fifteen years now but it is still often confused with CRM or considered to be a fancy name for customer service.

Search the web for a definition of customer experience, and you'll be overwhelmed by a myriad of carefully crafted, and sometimes agonizingly verbose offerings. But essentially, they all come down to the same thing: customer experience is the customer's perception of a brand determined (consciously and subconsciously) by every interaction they have with your organisation. It is in effect, determined by everything your brand does.

As our research for our book *'BOLD - how to be brave in business and win'* points out, the brands that are transforming markets today and creating real differentiation and loyalty, do so because they see everything they do as part of the customer experience.

Never before have customers had so much choice. And because of fierce competition and the efforts of organisations to improve their performance over the past few years, the service and products which customers get are generally good.

But good is not good enough.

To win share of mind, the experience you provide has to be different to your competitors. In fact, it has to be dramatically different. Only then will you put your brand at the forefront of your customers' minds whenever they need the kinds of products or services you offer.

The challenge for organisations is how to define and deliver this kind of experience so that it works every day across every touch-point.

Whilst it is evident that customer experience management is high up on the leadership agenda, there is still much debate as to the best approach to take. Throughout our website, you will get a good understanding of the smith+co approach, but we thought you might find it valuable to see other perspectives too, to help you determine the best approach for your organisation.

The following extract from *'Defining Customer Experience Management'* compiled by G-CEM (formerly GCCRM) outlines the perspectives of 12 different international experts on the subject. They all speak with the same passion yet define customer experience in different ways and offer varying approaches. Although the collection was compiled in 2006, much of the thinking is still highly relevant and forms a useful background to anybody starting off on their customer experience journey.

Whilst we applaud the authors for their enthusiasm we don't necessarily agree with every point they make and, of course, nor should we, as it is in the debate that the best answers emerge.

We hope that you find the resources on our site thought-provoking and of value. We look forward to your contribution to the developing concept of Customer Experience Management!

*Bold – how to be Brave in Business and Win by Shaun Smith and Andy Milligan

White Paper

Defining
CEM

Foreword by:

Shaun Smith (UK)

Co-author of "Managing the Customer Experience - Turning Customers into Advocates"

Written by GCCRM Associates:

Sampson Lee (China)

Paul Greenberg (US)

Marco De Veglia (Italy)

Paul K. Ward (US)

Rafael Rodriguez (Colombia)

Ro King (US)

Candice Ng-Chee (Singapore)

Mei Lin Fung (US)

Jim Sterne (US)

Simon Daisley (UK)

John Chisholm (US)

Jennifer Kirkby (UK)

Presented by

GCCRM

June 2006

About Us

GCCRM

ROADMAP CRM BEST PRACTICE through the collaboration of global intelligence on evaluation and benchmarking. GCCRM is an independent CRM consulting and evaluation organization founded in 2001. Through evaluation, enhancement and benchmark with best practices, GCCRM helps to roadmap organizations' CRM - where they are, where to go and how to get there. GCCRM preaches the belief of "CRM Success Beyond SoftwareTM" via awards, methodology, research & portal.

GCCRM Associates

GCCRM Associates is formed by 13 world famous CRM gurus from North America, Latin America, Europe, Asia Pacific and Greater China. They contribute to the development of CRM evaluation method - CRMBodyCheck, and conduct CRM training programs on evaluation and enhancement for the enterprises in Asia Pacific region.

Contact Us

Ms Alice Tse
Operations Director
GCCRM

Email: alice@gccrm.com
Tel: 86 21 63512506
URL: www.gccrm.com
Address: Suite 709-710, 400 Zhejiang (C) Road, Shanghai 200001;
         Unit 1604, Causeway Bay Plaza II, 463-483 Lockhart Road, Causeway Bay, Hong Kong

Contents

Foreword

By Shaun Smith, UK

When Joe Wheeler and I wrote *'Managing the Customer Experience-turning customers into advocates'* in 2001 little did we realise that it would help to stimulate a worldwide interest in CEM that is growing all the time. For example, a 2005 Forrester survey found that 83% of executives considered customer experience to be more important than in the previous year. This year the figure is even higher. The question is why has CEM become such an issue for organisations?

As markets mature and customers become more ever more sophisticated, the availability of suitable products and services is taken for granted. Meeting consumer expectations is a pre-requisite for doing business; the price of entry, not the way to win and traditional marketing does not provide the answer. As consumers, we are bombarded daily with marketing messages all seeking to gain a share of our attention. Most fail and even those messages that do capture a fleeting minute of our attention are usually treated with cynicism because they are simply empty promises that, in many cases, the organisation fails to deliver. We live in a world where trust is being eroded: think of Enron; think of Worldcom; think of Anderson. Even if marketing is successful it will only get you on to the consumers shopping list; it certainly will not keep you there.

Technology is not the answer either. Despite the hype in CRM and the estimated expenditure of US$46B on this technology in 2003, a Gartner Group survey[1] found that 55% of CRM systems drive customers away and dilute earnings. One of the leading firms in CRM software came last in a survey of customer satisfaction with technology companies so clearly systems only provide a partial solution.[2]

The fact is that in a sea of sameness, customers seek those organisations that are clear about what they promise and then deliver this consistently in a way that is valuable to target customers. But isn't this just customer service under a new name you ask? The answer is emphatically no. Customer service is usually what an organisation does to the customer, often via its people. Customer experience is what that customer receives at every touch-point through processes, products and people. For example, Amazon.com has one of the highest levels of customer advocacy of any organisation and yet customers rarely interact with its people and so it doesn't provide service in the traditional sense. Southwest Airlines, the highly profitable US carrier, has created a loyal following of enthusiastic customers by not providing in-flight catering. It serves to illustrate that those organisations that deliver distinctive customer experiences grow faster, and have returns typically double those of competitors. [3]

Facts like these have helped to propel customer experience to the forefront of the management agenda. As I travel the world speaking at conferences and with clients on the subject I am struck by how much CEM has entered the management lexicon. You only have to read the articles in this paper to understand the foothold that it has gained. The authors all speak with the same passion for the subject yet define CEM in different ways and offer varying approaches.

---

[1] *Bearing Point 2004.*

[2] *Gartner Research Group*

[3] *Satmetrix Systems 2001*

Herein lies the challenge. Whilst I applaud the authors for the enthusiasm I don't necessarily agree with every point they make and, of course, nor should I as it is in the debate that the best answers emerge. But what it does imply though is that we have successfully sold the concept, what we now have to do is to suggest a framework for business leaders wishing to create competitive advantage. I hope that my new book 'See, Feel, Think, Do-the power of instinct in business'[4] will do just that.

Shaun Smith is widely regarded as one of the top business speakers and experts on customer experience and brand leadership. Over the last few years, he has been a key catalyst in expanding management focus from the tactical issues of customer service to the much wider and strategic issue of customer experience. He has developed some of the latest thinking and practice around this subject, focusing in particular on how organisations can achieve brand differentiation and long-term customer loyalty through the customer experience. Shaun Smith is an established author on the subject and is a highly dynamic business speaker, regularly sought after by organisations worldwide.

---

[4] *'See, Feel, Think, Do-the power of instinct in business' Shaun Smith and Andy Milligan. Marshall Cavendish 2006*

Defining CEM

By Sampson Lee, China

Life is about experience – personal or social, leisure or business. Think about the way you live, love, work and play, from daily routines to critical life-and-death issues; like it or not, you have to walk through (experience) them all, day by day, piece by piece.

Some experiences are created by you alone, like 'thinking'. Some are created with others, like 'fall in love'. Some are 'outsourced', like 'happiness at Disneyland'. All experiences add up is your life. Time is the vehicle (tool) to deliver the means (experience). If you regard time is precious, experience is priceless. Your role of consumer would naturally drive you to look for brands who could deliver 'feel good' experiences, not just for time-saving and convenience.

CEM is about Perception. As a marketer, if we know consumers are looking for "feel good" experiences, how can we create and even clone them? When and where at what frequency?   'Satisfaction' is no longer a reliable metric[1]. Listen to the voice-of-customer via interviews, surveys, focus groups, observations, or the adoption of advanced device such as RFID[2] may help discovering more, but all of these methods are trying to get people's deep inside feeling (mind) via outside expression. But what if consumers don't tell (express) their true feelings, or even when they themselves are not so sure about?

Believe it or not, consumers make most of the buying decisions subconsciously. Nobel Prize-winning psychologist Daniel Kahneman said we could only remember two things from our experiences: how we feel at **peak** (best or worst) and at **end**. These memories direct our next buying decisions; whereas the proportion and duration of pleasure / pain throughout the whole experience process does almost nothing on our memories, thus perceptions.

'Feel good' is a perception. You perceive everything through your five senses: sight, hearing, smell, taste and touch. For a normal perception process, you have to send the five senses' messages to your brain, then mind. There is a missing link between from what consumers perceive to their ultimate behaviours – what goes on inside the mind? Using ZMET[3], and neuromarketing – study of how brain gives rise to the mind, applying neuroscience techniques like fMRI[4], are sample efforts working along this direction.

---

[1] *'The One Number You Need to Grow' Frederick F. Reichheld. Harvard Business Review December 2003.*

[2] *ACNielsen's Consumer Insight in May 2006 predicts Retail in 2010: RFID will be widely applied to track in-store shopping patterns, stock merchandise, and measure consumption.*

[3] *ZMET - Zaltman Metaphor Elicitation Method, founded by Harvard professor Gerald Zaltman in 90s, combines neurobiology, psychoanalysis, linguistics, and art theory to uncover consumer preferences.*

[4] *fMRI – functional Magnetic Resonance Imaging machine, which tracks blood flow to different regions of the brain.*

<u>CEM is about Process</u>. Process refers to the entire experience that consumers interact with the company throughout the whole customer cycle, from Pre-purchase /consumption, At-purchase to Post-purchase, via multi-channel touch-points. This may include retail (in-store), call, Internet, face-to-face, advertising, direct mails, public relations, etc. These touch-point experiences, together with product experiences, would echo the two MOTs (moments of truth): when you buy, when you use.

One of the challenges (and opportunities) of CEM is to deliver an aggregate and complete end-to-end experience, not just a single touch-point, transaction or product experience. For vacation resort, the end-to-end experience may take several weeks. For credit card, it may be years. For PC it may be three years, or more. No matter which industries you're in and what products or services you provide, the capability to deliver consistent and valuable end-to-end experience to consumers will dictate your competitive positioning.

Another challenge (and opportunity) is to co-create these experiences together with your employees and consumers. The 'book reviews' at Amazon.com, the 'fun experiences' on Southwest plane, the 'third living place' environment at Starbucks are good examples. Companies could design the framework and infrastructure, but employees and consumers are the ones who take the play! To be success in CEM, it must be engaging. You will feel different (most of the time is better) when you're engaged. To engage your consumers, first you've to engage your staff. It's not *what* we experience but *how* we experience. *Engaging* is the keyword.

<u>CEM is about Brand</u>. This is the missing piece in the broad word of CRM. Brand is not built by advertising. Brand is the perceptions on aggregate experiences of your customers (and public) across all touch-points. CEM is not effective unless it is branded. Branded customer experience is to amplify your brand via intentional and consistent delivery of *on-brand* experiences across all touch-points.

Only when you're branded, you could differentiate. Only when you're differentiated, you could have loyalty. There are three elements required for branded customer experience: the peak & end (most memorable) experiences, brand values and consumer needs. To optimize the branded experience, you have to deliver your most unique brand values and meet (exceed) the most critical needs and expectations of your target customers by peak & end experiences.

The challenge of customer service nowadays is good service is not enough, you need differentiated (branded) service. The experience-based differentiation allows you to control the definition of good experience or service, direct and educate the expectations of your target customers. You define your own standards. You create your own blue ocean with unique branded customer experience. You escape from the red ocean of trying to please your customers with the standards being set and manipulated by others. Then you can improve brand equity (values of your brand) and customer equity (values out of each customer).

"Managing your target customers' perceptions across the entire experience process to optimize brand and customer equities" is my answer in defining CEM.

Sampson Lee *founded GCCRM in 2001 and co-founded "The 3C Method" (China Customer Care) in 2002. GCCRM is an independent CRM evaluation organization. Through evaluation, enhancement and benchmark with best practices, GCCRM helps to roadmap organizations' CRM. Sampson provides training and consulting to first tier multi-national companies and leading conglomerates in Greater China region including Lenovo Group, Kodak, FedEx, Bertelsmann Group, Wyeth, Siemens Mobile Communications. He speaks for many C-Level Forums and events on the topics of CRM Evaluation and Benchmarking and also Best CRM Practice in China. Sampson is the Visiting Lecturer of the HK University master degree program (customer relationship management module).*

Collaborating in the 21st Century: The Era of the Social Customer

By Paul Greenberg, US

Okay, so it seems so obvious. If your customer likes you, they will want to stay with you and hopefully, tell others that they like you. But then, how do you get that customer to like you? You don't know him or her personally. You don't have all the money in the world to attend to every need that every customer has – after all you have thousands and maybe even millions of customers. Sheer bulk makes the problem of getting your customers to like you or keeping them liking you a major issue. Not only that, you have to figure out how you can tell that they like you without waiting to see the sales figures – because if they are declining, its too late – somehow they DON'T like you at that point. Yet, at the same time, you only have so many employees who can engage in making sure the customers are happy because you have limited budgets and overhead is expensive and you might even have shareholders who view the customers as simply transitory assets, not people and thus are looking to see what they can squeeze from the customer and that can conflict with what the customer wants.

Well, what about customer satisfaction surveys? Can't they help? No. Customer satisfaction is increasingly being seen for the nearly useless metric it is – because it's a momentary snapshot that doesn't apply to the new breed of customer that demands so much more than they used to. Michael DeSanto, Vice President at Walker Information, a leading business survey and metrics firm said in a recent article in Sci-Tech today, "There is zero correlation between customer satisfaction and financial performance. That's why we shifted our research from customer satisfaction to customer loyalty."

That alone, among other anecdotal and research evidence, indicates what the new customer is demanding. They are no longer comfortable with just good products and services; they are demanding transparency and collaboration with the companies that produce these products and services. Not just so that better products and services are being produced but so that experiences become part of the offering of the company. These experiences can cost money, they can be at a premium, but they have to be there. This new breed of customer understands that they are the ones empowered and that they have the embedded value. The value no longer resides with the products, services or company.

Martha Rogers and Don Peppers in their recent groundbreaking work, "Return on Customer" put it rather succinctly, "Repeat after us: The only value your company will ever create is the value that comes from customers – the ones you have now, and the ones you will have in the future."

What does that mean for customers? First, it means that the customers, demanding, volatile, fully aware of their choices, have the leverage to make non-negotiable demands on businesses. They understand that with the improvements in the global supply chain, the increases in the availability of similar products and services and with the baked in efficiencies and comfort that ecommerce provides, the cost of changing from one company to another is lower than ever. They also understand that the Internet gives them another point of leverage that they can enjoy because they are, and listen closely to this phrase, "social customers."

What are social customers? They are customers who get it. They know that they live in the customer ecosystem and that they have peer access easily so that they can take advantage of the vast knowledge base of other customers who have similar interests and ideas and they can create buzz – positively or negatively in a heartbeat.   For example, when the Buzzmachine blog commented on lousy customer service from Dell, this impacted Dell almost as much as the mainstream media did. At one point a few months after the Buzzmachine called it "Dell Hell", there were over 2 million references to it in Google, though that's now cooled considerably a year later.

But the social customers know their leverage and power. They know that they can find reviews of products and services, they know that global delivery systems have reached a level of effectiveness that make the delivery time from country to country less of a factor than it once was and they know they have both knowledge of and a choice about any given company they want to make a decision on.

So what does that mean for companies? Since the social customer is now in place and has these non-negotiable ideas of what they want – e.g. visibility into the company, collaboration with the company and a highly personalized experience with the company – the company has to give it to them.

Period.

For a company to survive in the era of the social customer, it not only has to recognize that its current business logic is most likely broken, but that new business models are necessary to reach out and work with that customer.

For example, in the PC/video game world, worth $26 billion U.S. in 2005, and, according to PricewaterhouseCoopers, $54 billion U.S. in 2009, they have the prototype of the new business model. The company not only produces the games that their customers buy, but release the source code and a toolset so that the customer can work with other gamers online and in person to modify the game to the personal satisfaction of the individual gamers. There are online communities devoted to these modifications as well as annual conferences held by the game companies to discuss the new directions for the games with the gamers. The company provides authoring tools so that the graphics and even the code can be modified to develop entirely new ways to play the game. Check out Valve Software's release of their Source engine which has been the foundation for entirely successful gaming experiences and even entirely new versions of their signature game Half-Life 2.

Collaboration with the customer. Company as producer and aggregator. Transparency between the customer and company. This creates the kind of experience that a customer wants and loves and for a business, creates an advocate for life.

That sounds good, doesn't it? If it does, then start looking at your own business logic and model and begin the changes now. The social customer is here to stay. The only issue is if your business stays with them.

Paul Greenberg In addition to being the author of the best-selling CRM at the Speed of Light: Essential Customer Strategies for the 21st Century, Paul Greenberg is President of The 56 Group, LLC, an enterprise applications consulting services firm, focused on CRM strategic services and Chief Customer Officer of BPT Partners, LLC, the U.S.'s leading CRM training organization. He is considered one of CRM's leading authorities on strategy, and is the co-chairman of the newly created CRM Research Center at Rutgers University and is the Executive Vice and President of the CRM Association, U.S.

The story of Yem and Arm

By Marco De Veglia, Italy

Once upon a time, there were two men, who sold apples. One, who was called Yem was very proud of his apples. In his Apple Heaven shop, he loved to put them in stacks of different heights and shapes, he liked to mix different types of apples and different colors and smells, so that his clients loved to stop at his little shop and have a delightful apple experience.

The other man, who was called Arm didn't focus much on how his apples looked. In his Apple Connection shop, he mostly left them in boxes or in huge stacks he kept in the warehouse on the back. He never bothered to mix colors and type of apples. However, he knew his clients by name and always offered them their preferred apples. It was a true apple relationship.

Yem and Arm were good friends; they didn't feel themselves as competitors. "I that it's important how my apples look so they love to shop at my store" Yem used to tell his friend. "I think it's important to know what my clients like, so I give them the right apple when they need it".

And the fact is, both had delighted clients. Clients of Yem, loved to look at the apples, loved to weight a Stark in their hand in order to feel the "appleish" shape, or to smell a perfumed Mcintosh, or occasionally to taste a Sayaka who Yem had sliced for clients to try.

Clients of Arm, on the contrary, didn't bother that his shop looked not quite as interesting as the other apple store. They simply loved that Arm knew their name, their preferred apples and that he almost magically knew how to let them try new apples they usually liked.

One day, in their town, a huge Applemart opened. It stocked more apples than the two little shops combined: in fact, more apples than Yem and Arm ever knew exist or have seen. They were apple experts, but the guys at Applemart were experts too and they had the resources to find the best apples in the World, and offer them at the best price to customers.

No, they didn't care about displaying them artistic shapes or polish them or care about what apple their customers liked. They didn't know their customers at all, but they were great at moving huge quantity of apples through their big Applemart store.

Yem started complaining "Those guys don't love apples like I do. And my clients love apples like I do, they will keep coming". Arm was more concerned about the price of apples at Applemart, because sometimes they sell for less than the price he could buy wholesale. However, he knew that their client took the time to extablish a relationship with him, took the time to teach him about what they liked or disliked so that he knew how to satisfy their apple needs.

And, in fact, Arm clients kept coming almost like the huge Applemart didn't exist. He lost some clients, but they were the ones he had seem rarely, the ones that didn't like to try new apple flavors, the ones who liked also pears, peaches and bananas.

Yem clients kept coming too to his wonderful shop. That shop was really a
place to spend some time, at least for apple lovers. They still paid visits to the shops, tasted the new apples on demo, weighted the Red Delicious and smelled the parfumed Fuji. However, they started buying less. The experience was still tops, but they bought less. Or worse: they enjoyed the experience at Apple Heaven and then bought at Applemart.

On the other hand, Arm started to offer an automatic apple replenishment service, so that customers didn't need even to go to his shop, they got the apple delivered automatically, with the right type, quantity and frequence. Customers loved that service and they spread the word. And word of mouth reached Yem's clients too, who didn't like the rather basic Apple Connection store and used to visit Apple Heaven.

Slowly, some of Yem's clients started migrating to Arm's store and word of mouth kept spreading about how great was to have the right apple when they wanted it. Admittedly, sometimes all apple customers just shopped at Applemart, because it was convenient, and it had great sales (they sold at a loss, but they would make it in volume).

Yem kept improving his store experience; he added books about apples, apple pies, apple candies and even a trip to Appleland for real apple lovers. And some of his clients were really delighted, but at the end of the day, while the experience was great, they have many other things to do than visit Apple Heaven. Yem's business was struggling.

So, one day, Yem approached Arm and asked if he wanted to buy his shop. He could so offer a true apple experience to his customers, who appeared to be so loyal to Apple Connection. Arm saw the deal, he always liked what Yem did just he liked more to focus on building a customer relationship and database. But Arm knew that only Yem could be able to keep Apple Heaven the true apple heaven it was, so he hired Yem as customer experience director for both shops. Arms would have kept focusing on customer relationship and together the two would have been a formidable competitor for much bigger Applemart.

And so they did. And Arm's Apple Connection clients started enjoying the magic customer experience that Yem provided, while Apple Heaven customers would enjoy the personalized service that made Arm successful. The two shops were rechristened AppleLife and the last news we had is they are doing great, expanding their chain through their country.

Customer Experience is very important for today's sophisticated customers. But if you don't develop a working Customer Relationship, customer experience won't help you compete with the price guys. Always remember you are not in business to delight customers. You are in business to be delighted by them.

Marco De Veglia has worked in marketing communications since 1990. He has been Head of Strategy for the interactive agency of D'Arcy Group and Head of CRM for Leo Burnett. He is also partner in Trout & Partners, the international network of marketing strategy consultants. In 2005 he launched CRM for Marketers that is focused on helping marketers making sense of CRM issues and integrate it in traditional marketing. CRM for Marketers speaks to marketers with their language about CRM, helping them to focus on the really important things among the lot of jargon and technological issues that permeates CRM. Nominated "The Cutting Through the Chase CRM Writer", Marco De Veglia likes to write articles about CRM and marketing with a contrarian view. http://www.crmformarketers.com

GCCRM

What is the Customer Experience?

By Paul K. Ward, US

Everyone may feel as though they understand the phrase "customer experience." But feeling this way is not enough. The biggest challenge modern companies face is figuring out what to measure and manage to gain strategic advantage. Now that customer-centricity is the fashion thanks to top performing companies such as Dell, Amazon, General Electric, and Starbucks, it is taken for granted that customer-centricity can create strategic advantage.

Understanding the customer experience is the next step in the evolution of customer-centricity. Just as customer relationship management (CRM), done wrong, is a waste of shareholder money and actually destroys customer value by being overly transactional and wallet-share driven, CEM, done wrong, will seem forced at best, and will be a nightmare financially and organizationally for many companies at worst.

Nevertheless, you have to know about CEM to be competitive in the new economy, because the new economy is in fact about attracting and keeping the best customers by getting a share of their "heart". Part of the creative aspect of being a great company is to understand the customer experience and to find new ways of modeling it and exploiting it to create greater value than your competitors can.

First, keep in mind that you care as much about prospects as customers. In fact, my colleague Rich Harwood, founder of the Harwood Institute, would say that they're all just people. The fact that a person is a prospect or a customer is really measured only by whether they've transacted business with you. So, in defining the customer experience, we must be mindful that our goal is to create an experience for a person.

In fact, our goal is to create experiences for multiple kinds of people – not all people will interact with you in the same channel, nor will they have the same expectations from each channel. But they will have an overall expectation about the quality of experience they want from you, from a given channel, and across all channels. So, while some parts of the person's experience may differ by channel, he or she will come to you with an expectation.

If they have no information about you in the first place, they will set their expectations according to your competitors established customer experience and brand expectations. If a person comes to you with knowledge of your company, you have to meet or exceed their expectations to maintain or improve your brand equity.

People may want to (or need to) experience your company through multiple channels. But don't be company centric here. You must also understanding how people want to (or need to) experience information about your company that may be generated outside of your company, repeated and organized by third parties, and absorbed by people long before they ever experience even one of your channels. Publishers don't get to control the online word-of-mouth (OWOM) systems on Amazon. Manufacturers cannot control the OWOM on ePinions. And people talk around the water cooler all the time, observe iPods constantly, and unconsciously adapt to changing styles in clothes and cars – without your intervention or control.

And, to complicate matters, the order in which people experience your company can matter. If you have a great website but a terrible incoming call center, you hope that people will experience your website first. But they may not.

So, what is the customer experience?

My definition is that the customer experience is the *provisional disposition a person has about your company* based on all the information in his or her environment, and their interactions with you and your competitors, plus their reflections on what this means to them.

My definition acknowledges that we are on the cusp of a new kind of economy: one that is transitioning from an information economy (post-industrial, founded on information and knowledge sharing via computer technology) and a digital network economy (post-information, founded on the ability for all players to act on and improve knowledge and process outputs).

This is why the customer experience is an interaction (both you and the customer are players), and why you *must enable interactions so they can improve.* That is, if customer experiences are what you want to manage, they must reveal actionable information to you (and probably to the customer). If you don't manage customer experiences this way, you're stuck in the information age at the very least – and perhaps in the industrial age at worst, where marketing and public relations were all broadcast from the top down.

The disposition can be an opinion (rational or not), a feeling (by definition non-rational), or even an undecided state. Because the disposition is provisional, the person may change their disposition towards your company.   This is your opportunity – and your risk.

Notice that the experience being defined as a *provisional disposition* means essentially that your company's value is not measured merely by a customer's latest experience. If that latest experience is terrible, or fantastic, the customer will assess it within the context of his or her past experiences – with you, with your competitors, and with companies offering substitute products. Notice, then, that neither your internal resources nor your market position represent as much of a competitive advantage as the value of the customer experiences that you provide. Customer experiences are the most visible part of your corporate capabilities. You can rise and fall on them.

Within this definition, we can place a variety of marketing and operational disciplines, such as branding, public relations, advertising, buzz marketing, product and service development, customer value management, customer relationship management, and much more. The good news is that research, product options and industry experience abounds in each of these areas.

Paul Ward's role as strategy advisor to corporate and non-profit executives brings his business management and Web services consulting to clients internationally and across the United States. He is currently developing business and serving clients in Russia, China, France, the UK and Malaysia, as well as in the United States and Mexico. As author of key strategic methodologies that link operations, finance and marketing, he takes seriously the pursuit of best practices backed up by experience and research. Paul lectures and writes regular columns on branding, marketing and strategy, with recent articles appearing on global marketing and financial strategies for globalizing companies. He is a recognized authority on Customer Relationship Management (CRM) and Perceived Customer Value (PCV) and is doing research on the intersection between Customer Experience Management (CEM) and branding. Paul is a member of the American Society of Association Executives and is a managing member of ASAE's International Section Council. He is also a member of the World Affairs Council. He is currently pursuing his global executive MBA with TRIUM, a joint degree program conferred by the London School of Economics, the HEC School of Management — Paris and NYU Stern School of Business. He is the Vice President of Sponsorship for the Customer Relationship Management Association of America and is co-director of the Washington DC chapter of the HEC-Paris alumni association. He loves biking, traveling, cooking, writing and reading, all of which he joyfully shares with his wife Angela.

What is CEM? Back to Basics!

By Rafael Rodriguez, Colombia

Isn't it what marketing, sales and service has been and IS all about?. Ever since Peter Ducker's *Concept of the Corporation,* to Set Godin's Permission *Marketing* and most recently Fredericks Reinhold's *The Ultimate Question,* the issue has always been the same: having *"raving customers"* that would fall in love with our product or service, and would recommend us to their friends.

We may want to call it CEM, or CRM, or 1to1, or whatever. It just means nurturing and caring for our prospects and customer the same way we care for ourselves and guaranteeing our investors an attractive ROI (return on investment) which comes from ROC (return on customer as defined by Pepper & Rogers) which grows only if the experience our customers have make them truly advocates of our products or services. CEM it's nothing more than delivering what our customers expect us to – and a little bit more -, making them feel great at every "moment of true", whether it is at our brick & mortar store, or when assisted by the CSRs or IVR at our Contact Centers, or when they place an order through our website, attend and listen to an illustrative webminar, videocast, or podcast from our company. CEM practices should be right there when customers receive a promotional e-mail, are invited to participate in a survey, watch a TV ad, or pay their bills. It encompasses how we manage, advertise and position our brand, how we pack our products, how rewarding our loyalty program is, how we provide warranty and service, and how we take advantage of today's collaborative technology to constantly innovate and be one step ahead of our competitors.

To more than a few, CEM just picks up where CRM stopped, not because CRM was meant to have limits, but because for whatever reasons, companies, marketers, CxOs, consultants, companies, suppliers, and TI departments have created boundaries that should have not been there to begin with. But we all know a plenitude of examples from companies, big and small, that for years have been providing a consistent and superb experience to their customers. Not only Disney, Starbucks, Harley Davidson, Abu Dhabi's Millennium Hotel, Cirque du Soleil, have mastered the principles of the "experience business". In China as well as in Colombia, in the US as well as in South Africa, all around the world there are plenty of examples of successful entrepreneurs that have a long tradition of providing unique and exclusive experiences to their customers.

In service industries, which have pioneered the *customer experience* wave, it may be somewhat easier to accomplish than in manufacturing. However in both cases, as well as in government and nonprofits, it always takes a lot of creativity, re-imagining and a great dose of passion to convert our product and service into an experience our customers discover, want more of it, are willing to pay for and to spread the word around becoming true viral marketing agents, builders of a cult.

For hotels, spas, restaurants, concert halls, amusement parks, casinos, etc, the decision is easier. The finer the experience provided, the higher the price customers have to pay and thus resources are made available to offer exquisite and diverse experiences. This may also be true for some top level lines of products: Ferrari, Swarosky, Channel, Bang & Olufsen… But where it becomes a major challenge is when we have to prevent the commoditization of our product/service fighting out way into today's customer heart competing with not so different and similarly priced products and services based on a clear differentiation. Here is where

innovation comes into play and makes Oral B toothbrush different from
others. Or else, how DELL, Blackberry, Jet Blue, Wall Mart, Evian, Da Vince Code, and many others have done to conquer the minds of their customers and achieve outstanding sales performances?.

How do we get there and stay there? CRM has had the answer but concentration on technology and its complexities has made us overlook it. Doesn't CRM preach customer centricity?. Doesn't CRM require for a unique value proposition, overt benefits, that will enchant customers, give them reasons to believe in us and make them loyal, hoping that they will buy more, recommend us and make us bottom line happy?. Doesn't CRM propose customer focused processes to properly nurture leads and prospects, and to develop and grow customers and non-customers by means of structuring dramatic differences that make our competition irrelevant? No matter how we decide to view and plan our customer processes (selection, acquisition, retention and grow, or in the terms of Peppers & Rogers identify, segment, interact and customize), the end result should aim at "monopolizing" a particular experience our customers hunt for. And finally, doesn't CRM require that before managing the relationships with your customers, companies should first develop internal advocates, committed and highly trained and skilled personnel with the appropriate tools and feedback mechanisms and most important, the right attitude?.

The above require, in some cases, a new set of well balanced indicators, mostly lead indicators and a few lag metrics along some basic perspectives, for example those within the traditional body of knowledge of the Balanced Scorecard discipline (financial, customer, process, learning & growth). Metrics that concentrate not only on what companies are trying to learn about customers but rather heavily focused on the other side of the equation: what customers are learning about the company and what are the root causes that drive it?.

 I personally have no problem calling CRM, CEM, or GMSS (for **G**reat **M**arketing, **S**ales and **S**ervice), or CRM 2.0 (as CEM is closely related the principles underlying Web 2.0). CEM as described by many practitioners is like a sort of CRM climax that both, companies and customers seek for. CRM, CEM or whatever, it's a matter of understanding and living our customer's reality which usually is quite different from ours, and adapting ours to theirs.   Very basic stuff! Easy to say and describe and even to plan, but not so to execute. If it was that easy, Google would only be one more among the handful of search engines and Amazon another unnoticed B2C site.

Rafael Rodriguez *is a business and a technology executive with extensive experience in leading people, project teams and businesses. He began his consulting career after 25 years of work in the Media, Telecommunications, Commercial,International and Public sectors where he held important managerial and technical positions. Rafael combines his management expertise with a deep knowledge and understanding of technology derived from his leadership roles in implementing SAP, JD Edwards, Oracle Financials, Sales Logix and many other solutions.*

From CRM to CEM

By Ro King, US

In 2000, I started teaching Customer Relationship Management at New York University. I divided the course into three sections: Systems, Processes and People. Our class was focused on the "inside" of each organization and how the systems, processes and people of the firm worked together to gather information about customers and use that information to provide value to the customer. If I were to design the course today, I would move the discussion "outside" the organization and spend our class time discovering *how customers interact* with the systems, processes and people of organizations. It is really these many points of interaction between the customer and the firm that form the customer relationship in the first place!

My definition of Customer Experience Management flows from my experience with Customer Relationship Management. Since our company's founding, Quaero has defined CRM as the systematic use of information to attract and keep customers through on-going dialogue for long-lasting, mutually beneficial relationships. We always saw CRM as a business strategy, a way of doing business. So, Customer Experience Management is not new to us, it is the part of the business strategy focused on the *customers' interactions with systems, processes, people and products*. Every customer interaction may include an event, an activity or simply a perception. The vocabulary and metrics of CEM differ from those of CRM, but the output may be considered the same – a mutually beneficial relationship between the customer and the firm.

A good example of the interaction between CRM and CEM took place at Toys R Us several years ago. At the time, Toys R Us employed a CRM business strategy – they used information to provide value for their customers. They had an effective customer database and had some thoughtful analytics surrounding offers they made to parents and grandparents who were shopping for toys. In fact, over a relatively short time period, customer-focused systems and processes were in place and many of the people in the business were very talented, especially analytic CRM team. However, these talented people had a big worry – the staff in the store. It was not unlikely that a customer, who had been attracted by an offer made based on good information, would be frustrated in receiving that offer by a not-too-well trained, not-too-well-paid kid working at in the store. All the time, effort, and money spent getting the analytic CRM right would come to naught at a crucial moment with a misstep in the customer interaction with that one person at Toys R Us.

Defining the Experience

To better understand the customer experience, many companies now map out how customers interact with their systems, processes, people and products. These customer experience maps illustrate details of the interaction and can be used to examine real and ideal states in customer interactions. The ideal state may be simply getting the little things right in every interaction at every point of the interaction. Firms need not begin by plotting to offer customers a "wow" experience – something that will be emotionally memorable. Naras Eechambadi, CEO of Quaero, often talks to our clients about getting the basics right. "There is a place for wow, but consistency is more important," he says. It is about setting customer expectations and then meeting them. It may not be "emotionally memorable" to get the little things right the first time, and every time, but that is where most companies need to begin.

Comparing Experiences

It is just as difficult to determine what a "good" experience looks like as it is to define a "wow" experience or best practice. Today, the comparison set that a customer uses to determine whether he has had a rewarding experience with your firm may not match the competitive set you monitor. When it comes to experiences, you compete with companies outside your industry, outside your region and possibly outside your realm of experience.

As a hotel customer, when I compare on-line reservation experiences, I am not comparing Marriott to Hilton. While I search for room availability, I think about the speed of an airline's website. When I want to change my reservation, I think about how easy it was to modify my order at a retailer. When I want to see how many frequent guest points I have, I compare the web page layout to that of my credit card points program. Trying to understand a competitive landscape of this scope can be daunting!

Measurement and Experiences

Customer Experience Management is not a new concept. Since CEM is not new, enough time has passed for research to come out about the effects of good experiences. The research results are not news. As expected, customers who have had good experiences are much more likely to recommend a friend and to purchase additional products. Also, customers who have had negative experiences are more likely to complain to friends and switch products or providers. There is a strong link between customer experience and revenues. However, from a business case perspective, there may not be enough hard data to justify investment into either the customer experience or the management of it!

CEM is still new enough that appropriate metrics and measurement systems may not yet be in place. However, that does not mean you should wait until they are in place to act. Cathy Bessant, a Quaero client when she was Chief Marketing Officer at Bank of America, thinks about measurement this way: " It is important to measure what you can, but it would be naïve and dangerous to focus investment only on measurable activities while neglecting those that may, in fact, be more effective but not necessarily measurable."

As industry conversation moves from CRM to CEM, begin to step "outside" your organization to view interactions from the customers' perspective. Think about the little things that you need to get right. Think about the big things you want to measure to be sure you are on the right track. But most of all just think about your customers.

Ro King, *Senior Advisor, Quaero Corp. - Asia Pacific*
Ro helps firms improve marketing performance management by optimizing technology choices, improving customer data use and refining marketing approaches. Ro's clients include leading firms in financial services, hospitality, media, retail and pharmaceuticals.

Prior to joining Quaero as a founding partner and EVP, Client Services, she was Senior Consultant at Tillinghast-Towers Perrin, Principal at Furash & Company, and Senior Vice President at Signet Bank, where she developed and implemented customer acquisition and retention programs and conducted customer profitability analyses.

Ro earned her BA at Harvard and her MBA at the Darden School of Business at University of Virginia. She is a regular contributor to industry publications and an adjunct professor at New York University where she has taught Fundamentals of CRM. Ro works with firms throughout Asia from her current home in Jakarta, Indonesia.

Managing Touch-points for CEM Success

By Candice Ng-Chee, Singapore

Do you know what are you doing exactly to your customers across your enterprise? Do you have any idea where your interaction gaps and opportunities are throughout your customers' cycle stages and life cycles? Are your interactions with your customers orchestrated in such a way to create value for them and your company? When does experience start? Well, I'd like to set your mind thinking as you read.

In my opinion, a consumer experiences you in his mind even before he becomes your customer – with the perception and expectation he builds up from your advertising, branding, PR activities. It is when he decides to 'choose' you to solve his identified needs that the experience gets manifested in the form of tangible, physical and emotional 'touches'.

Very often, companies take their touch points for granted. From Sales to Call centre, and Internet to Retail, Direct Mail, Events and most recently, Mobile phones, they often do not take stock of how each of these touches are performing in relations to their customers' needs and expectations. What they often measure is how effective have they been in meeting set targets. Take for instance, in the management's eagerness to recoup the investment and minimized service cost per call, they set metrics that measure the wrong things - like the efficiency of the telemarketers in answering targeted number of calls per day, in picking up the calls within 3 rings and so on… setting off the mad rush to hurry customers off the line so that they can pick up the next. A telco has more than once put me onto an automated voice survey on how I would rate the technical or customer service I got that day - "enter <1> if you are satisfied; <2> if you are not dissatisfied". Nothing happens after I repeatedly entered '2' over the last 3 years. Needless to say, I gave up on them only to find that elsewhere is doing the same. Oh mine! How is it that such scenario are allowed to keep repeating itself? The attitude of most companies to reap all the time rather than to sow some time, has a lot to explain for this misguided corporate behavior.

To stop further depletion of value, may I say to the customer: please know your rights and let it be known, you do not have to live with it! To the enterprise, may I say that if you think you are doing okay, please think again - you may have short-changed yourself over all these years. Perhaps you have also been a victim by allowing the touch points to dictate the way they used to operate when you should have involved your customers in defining how they should ideally be operating? Or have you undermined the role of touch point to that of a 'do-er' rather than looked at its capabilities of being a 'thinker' or 'influencer'? Whatever it is, may be it is time for you to find out through a gap analysis of your touch points, and see how you might be meeting or missing the needs and expectations of your customers.

Nobody plans to fail but often fail to plan. A strategic 'Customer Experience Map' will help us put CEM into context, and organize these key components into meaningful processes:

- The customer management processes of selection, acquisition, retention and growth;

- The customers' value propositions are at each stage of the processes.
o   Is the value they are seeking Price related? Service related? Specialty related? Relationship related?
- Your internal value propositions
o Supposed it is Service related, how would you demonstrate that you have got what it takes to provide that outstanding service?
o Which aspects of the service attributes, say: accessibility, on-time delivery or friendliness etc. should you focus on to differentiate yourself?
o Is that attributing an existing organizational competency or do you have to build/outsource as a means to enabling this internal value proposition?
- Touch points management
o How should you optimize the touch points across the customer management processes?

A planned CEM process would then enable us to anticipate, manage and personalize the experience for our customers in a manageable, automated, decision-supported manner.

Your customer experience is still not deemed to be enthralling if your touch points are not engaging your customers in a two-way dialogue. To encourage a 'learning relationship' with your customers, your interactions have to be relevant, timely and trusted.   As an illustration, if you are a retail bank managing the financial portfolio of a premier banking customer, make sure you *communicate* with him with the right *content* through a channel that is *convenient* to him (relevance); give him the *connectivity* to the right people and *communities* that are capable of providing assistance as and when the need arises (timeliness); provide *customized customer-care* that exercises *compassion*; and *commit* to developing *competencies* that would bring forth *consistency* to the customer throughout his life stages with you (trust worthiness).

The fun is just starting. Further drill-in calls for differentiation of customer experiences so that the treatment does not become another stereotype but one that is fluid and personalized. So add the dimensions of customer 'types' – value, life stages, needs and business rules into your techniques.

A genuine relationship is not built from price and product, but from total value creation.   That is, take a holistic view to understanding the precise needs, preferences and priorities of the customer ~ exceed his expectations every time he comes into contact with you ~ to result in high perceived value of your offering ~ and in doing so differentiate your organization from the competition ~ thereby allow you to commensurate that value-add into premium pricing ~ that lead to accomplishment of more profits that are then reinvested to better serve the customer time and again.

Customer experience is most memorable when a firm understands where to place humanity into the business context. Products will come and go and will soon be forgotten. It is the feeling you leave behind that will *'outlast and outplay'* to give you the legend you have always wish you could leave behind.

Candice Ng-Chee, A Consultant and Marketer by profession, Candice founded MetaCore Asia with a team of like-minded professionals dedicated to building best-in-class customer-based marketing strategies for companies in Asia. She has had intensive hands-on experience in the conceptualization, integration and management of Database, Direct Marketing, Integrated Marketing Communications, Loyalty Marketing, Internet Marketing, Customer Relationship Marketing/Management, and One-to-One Marketing initiatives. She has been instrumental in creating customer value for many MNCs and Fortune 500 companies in the FSI, Healthcare, Retail, Hospitality, Services and Automobile verticals.

What is Customer Experience Management?

By Mei Lin Fung, US

Delivering good experiences will keep your customers happy. Yet, the need to plan, design, organize and coordinate activities in order to enhance the Customer Experience has been largely ignored up to now. Only now, business leaders realize there are profitable opportunities that are being lost because of poor customer service. And that they can increase revenue by delivering great customer experiences.

When banks deliver a bad experience, customers will walk away

My husband and I had used the same bank for 10 years before I started my own business. That's where I tried to open my business account. When I tried to open an account for my new business, the bank representative was very unhelpful and made me feel she had no respect for a woman who was starting a new business. Due to that poor experience, I was angry, upset and determined to get even. Within 1 week, we transferred all our family savings and checking accounts to another bank!

Since then, I have been a good banking customer – at several institutions!   I started my retirement account, my husband and re-financed our home mortgage, and we have also purchased stocks and corporate bonds. All of these have been at other financial institutions. Would we have liked to have worked with just one financial institution if it was possible? Yes.

Who has been delivering memorable customer experiences for years? Institutions in the Performing Arts. By careful observation, experimenting and responsiveness to their customer's needs, independent entities like concert halls, restaurants build a synergistic relationship to deliver an excellent overall experience for their customers.

Delivering a memorable Experience: a Night at the Symphony

I'm lucky to live in one of the great cities of the world, so my husband and I go to the classical music concerts at Davies Symphony Hall in San Francisco.

The Hall is beautiful, from the outside, when you are walking toward it, you see the people inside through the big windows that stretch from floor to ceiling on every floor. In the evening, it is a beacon of light, spreading warmth to the surrounding sidewalks and streets. All nearby restaurants offer special "pre-concert" meal. They make sure that whatever you order will allow you to finish dinner with ease in order to get in your seat by 8 pm.

From the moment you step into Davies Hall, you almost tingle with anticipation. Beautifully dressed people walk past, talking, laughing as they enjoy the evening. The concert begins! The orchestra has practiced for years for this moment. Every note is precisely played, under the direction of the conductor who builds to an emotional climax that takes the audience to new places. Overall the audience is swept away in cloud-burst of delight and goes home invigorated, refreshed and enriched.

Today, the challenge facing banks and organizations trying to improve Customer Experience feels

profoundly difficult, because so much seems out of any one person's control.

The retail branches are unable to oversee the nation-wide banking contact center when the retail branch's most valued customers call the 1-800 number. Marketing departments can only urge contact centers to route customers to those specialist most qualified to handle their needs, they cannot insist upon it.

During the Night at the Symphony, different organizations needed to coordinate their activities. Each business concentrated on their interaction with the customer and made sure they understood how their activities enhanced the overall evening experience.

Business can learn from this. Instead of one department trying to control every aspect of a customer's experience with the business, each department can make sure there is good understanding of the context of the customer "life-time relationship" with the bank, all the different needs of the customer, the different roles in which they interact with the bank.

A good experience enriches my life.
A poor experience makes me unhappy.

Start with correcting the poor experiences! A 2005 paper by McKinsey and Company reflected the cost of poor service http://www.mckinseyquarterly.com/article_page.aspx?ar=1571&L2=10&L3=51

"A survey of 2,100 retail-banking customers in the United States suggests that institutions should start by examining the everyday events that most affect, for good or ill, a customer's perception of them. These "moments of truth" represent important opportunities for banks to assess their customer service capabilities and to ensure a proper alignment of investments with customer needs. ……mass-market customers who had a negative experience (say, an unexpected fee) during the previous 24 months kept 4 percent less with the bank than did those who had a positive experience (such as a deftly handled account opening)."

The survey found that the wealthiest customers with more than $100,000 in assets generated 13 times more profit than mass-market customer. These valuable customers actually punished the bank twice as badly, decreasing their assets at the bank by 8%. McKinsey's article concluded that "the way employees resolve problems is crucial….banks must reexamine their broader service-recovery processes if they are to address the lapses that turn disgruntled customers into former ones."

Pay Attention to Customer Experience Management;
Make more money!

Poor experience by customers leads to lower profits at the banks.

Until we find the bank who cares about delivering good experiences time after time, we, the customers, will continue to spread our business with various financial institutions, ever hopeful that one day, we will find The One that understands how to serve our needs and delight our senses at the same time.

Paying attention to customer experience pays as savvy customers will value the extra effort paid to understand their needs and preferences, and do as much business as possible with the banks that deliver good experiences every time.

Improving customer experience increases profits.

That's the bottom line.

Mei Lin Fung *was an early pioneer in the CRM space, and was the business analyst for the first integrated sales and marketing application, envisioned by Tom Siebel at Oracle in 1988. Mei Lin spent 5 years at Intel, primarily as a customer marketing engineer in the US Distribution Sales Channel. The combination of Intel and Oracle has given her an insider's view of the supply chain through to demand chain connection in the technology industry. She was Managing Director at Wainscott Venture Partners, an IT-focused venture capital company with offices in Washington DC, New York, and the Silicon Valley, until 2001. Mei Lin advocates the discipline of Customer Lifetime Value analysis to achieve successful CRM investments and sustainable business models.*

What is CEM?

By Jim Sterne, US

Before I realized that CEM had become another, ubiquitous and soon-to-be-overused business acronym, I already knew that customer experience management was the right concept - the right idea - the right direction.

The experience a customer has of a company is altered every time a prospect or a customer thinks about the company. That is true whether the thought is prompted by an advertisement, a phone call, a website, a conversation with friends or what we have now come to call "consumer generated content" on blogs or review websites.

If your marketing and your website and your customer service is all about your company, your products and your services then you have a great deal of work to do. However, if your website is all about your customers, you are on the right track and headed for a much better return on your investment.

The transformation from corporate-focused to customer-centric is not an easy one. Even the most client-minded individuals have trouble effecting cultural change in a large organization - or a even small ones. But it is possible, with perseverance and a little imagination.

A small company named Zylom asked me to fly to Amsterdam, take a train to Eindhoven and then drive to a conference center in the middle of nowhere. The entire company, all thirty of them, would be on hand to learn about customer centricity during a three day workshop.

Zylom creates and distributes online solitaire and puzzle games. Not the shoot-'em-up type that appeal to teenage boys, but word games and Tetris-like games that appeal to their mothers. Many of their mothers. The company is shockingly successful.

The first day was part lecture and part workshop. What is customer experience? What does it looks like online? How do you keep customers foremost in your thoughts throughout the day? The resort was first class. The grounds were stunningly beautiful. Lunch included a group bicycle ride through the countryside. That evening we boarded a hired bus for dinner in a nearby town.

All thirty of us climbed off the bus to discover that the restaurant had lost our reservation. Faced with a deluge of hungry patrons, this establishment did not seem to rise to the challenge. Half of us waited for an hour. The other half for another twenty minutes. Drinks were served to the wrong people. Food arrived late, cold, over-spiced, under-cooked and dessert never arrived at all. The flower arraignment looked at least two weeks past its sell-by date. This was touted as a first class eatery but they exhibited little or no class whatsoever.

The following morning, it was time to discuss the homework I had assigned before flying over: Describe a bad customer experience. If asked, you'd have to think for a moment about a bad purchase you'd made or annoying clerk you had met so I gave them plenty of time to come up with something. There were stories of

repair work gone awry, appliances that never arrived and faulty phone service with nobody willing or able to make amends.

Finally, as we got half way around the table, one of the employees admitted that dinner the previous night had not been particularly good. There were grumbles of agreement around the table with sidelong glances at the CEO who had made the selection

At the end of the day, the CEO announced that we would be boarding the same bus and heading back to the same restaurant for dinner. This comment was met with a stony silence. He let the silence ferment for a bit and then said that he had spoken to the owner of the restaurant several weeks before and had secured an agreement. The restaurant would engineer and deliver a bad customer experience on the first night and a good one on the second.

The room exploded.

Everybody had a comment on just how bad the meal had been. The waitress was surly. The bartender was smoking. The coffee cup was chipped. The beer was warm. There was no salt or pepper to be found. The paper napkins looked like they had come from a fast food eatery. The list of faults grew as the crowd was wrapped in amazement that it had all been intentional.

I had been in on the ruse and had delighted in the mischief wrought by the participants. The bar tender did more than smoke. He poured some glasses half full. He banged pots and pans behind the bar where nobody could see. I watched as he put one glass of beer in the microwave to warm and flatten it. He and the other staff could be seen every now and again in the kitchen doorway laughing long and hard. The napkins had, indeed, come from a fast food supply house.

The second evening, as the bus pulled up in front of the restaurant, the owner was standing at the side of the road. He greeted each of us as we disembarked. He led us to our tables which were set with cloth napkins, crystal, candles and velum menus with the Zylom name and logo printed at the top. The waiters came in a wave and everybody had a glass of wine in an instant.

The owner brought a stool into the room and sat down. "Before we serve your appetizers, I have to thank you all. In my many years as a restaurateur, I have never learned so much as I did last night." We had been prepared for an apology for the previous meal with a wink and a nod, and a promise that tonight's dinner would be better. Instead, he recounted a revelation that would change how he and his staff would treat customers from that moment on.

"Oh, we had fun!" he said. "But it was very hard work. First - and for the first time - we had to think about the difference between a good dining experience and a bad one, so we could perform our contracted duty without actually spilling food or burning you with hot plates. Then we had to actually do it, and some of us failed.

"Our waitress simply could not stop herself from saying, 'Thank you' when taking orders. Our chef flatly refused to burn the crème brulé. It was very hard work." He paused. "But we could not understand one

thing. The thing that was so confusing and so enlightening at the same time, was that no matter what we did, not one of you complained.

"Now, I know that you are here at the command of your boss and he is paying the bill so you didn't want to insult him or his choice of restaurants. But nobody should have to endure what we put you through last night. And now we know that as good as we may think we are and as wonderful as we think our little restaurant might be, if there is something wrong - nobody will tell us! So we must be especially careful and observant. Otherwise we are simply fooling ourselves. Thank you for this lesson. Please, please enjoy your dinner."

The next morning started a little later as we had wined and dined well that night. After lunch, it was my turn to find out if the lesson has been learned by the diners as well as by the restaurant. We talked about what we might do to improve Zylom's customer experience. The hoped for and expected ideas included focus groups, usability testing, random surveys and the like. But I knew the exercise had hit the mark when the woman in charge of accounts receivable spoke up.

"The next time I send out invoices to our advertising customers, I'm going to include a note asking them how I can make it easier for them to process my bill." She has successfully identified her accounts payable counterparts as her customers and decided to get proactive.

I flew back to Santa Barbara knowing I had helped change their view of the world.

Do you want your company to engage in customer experience management? First, you must change the way your company thinks about your goods and services? You might first consider asking every employee to describe a bad customer experience. Then buy them dinner.

Jim Sterne has spent more than 20 years selling and marketing technical products and produced the world's first "Marketing on the Internet" seminar series in 1994 and has since devoted all of his attention to the Internet as a marketing medium. Today, Sterne is an internationally known speaker on electronic marketing and customer interaction and a consultant to Fortune 500 companies and Internet entrepreneurs. Sterne focuses his twenty years in sales and marketing on measuring the value of a Web site as a medium for creating and strengthening customer relationships.

The Customer Experience – Don't get lost in SPACE

By Simon Daisley, UK

The best customer experiences are built from the inside out.

They have a clarity of purpose.   People may be attracted by gimmicks, but if the hype or Wow! Factor is not backed up by a clear commitment to the customer through processes, systems and staff behaviour, then you will very soon disappear into outer space.

The only effective way to grow the long-term value of your business is to deliver a magnetic brand experience across every product and every channel at every stage of the customer lifecycle. Any investment in sales, marketing or R&D will be wasted unless your company truly lives up to the expectations you are setting in the minds of your customers

Half of the challenge is in drawing customers to your brand who have the propensity to become profitable, loyal advocates. The other half is in delighting those customers time and again in how you meet their needs.

Brand gravity depends upon your ability to understand and promote the unique value that is inherent in your brand. Great brands are built from the inside out. They start with a core idea, which has a purpose. That purpose gathers force as staff and customers are attracted by its potential. If your staff share that purpose then they passionately communicate the core strengths of the brand. This gives customers something to feel good about at an emotional level.   And after all, every choice anybody makes is emotional; even rational ones!

Good business is built on trust. If your brand is an honest reflection of your organisation's core purpose, values and capabilities, you can manage customers' expectations more easily. You can also focus your energies on reducing the 'deal breakers' lurking within your customer experience.
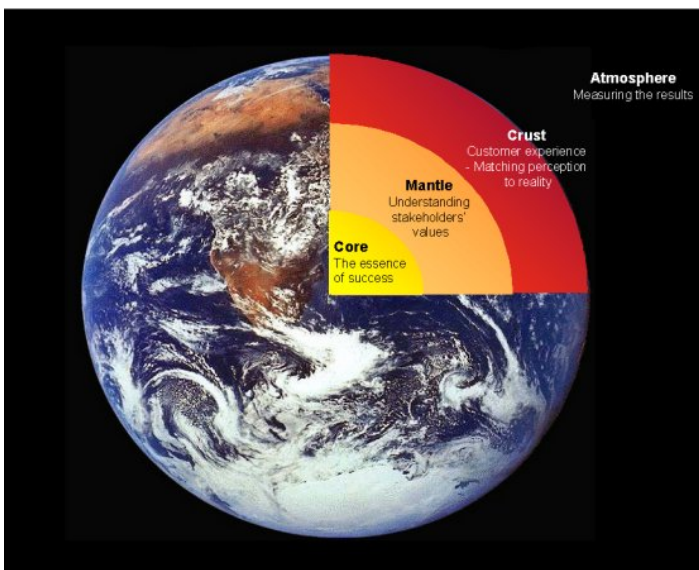
The customer experience cannot be viewed in isolation. Think of the World we inhabit as an organisation. The customer experience is the ground we walk on; the point at which we experience that organisation. Yet beneath our feet lie unseen layers, without which life cannot be sustained:

At the core, is your organisation's Distinctive Natural Attribute (DNA). This is what distinguishes your organisation from any other. As companies grow, mature and diversify, that DNA can easily become obscured, yet it represents your original purpose and the root cause of your success. Your organisation's DNA cannot be imitated by any other company and it is the firmest foundation upon which to establish your vision and values.

Fully realising your enterprise's DNA helps remove ambiguity internally and externally as to the organisation's primary purpose. It provides the ultimate benchmark for strategic decisions and brings the organisation back in touch with its stakeholders.

The mantle that surrounds the core contains the core values (motivators) of each of your stakeholder groups: **S**uppliers, **P**artners, **A**uthorities (e.g. shareholders, regulators), **C**ustomers and **E**mployees (known collectively as SPACE).

Core values are innate. They give us our sense of purpose and identity and they guide our behaviour. Up until recently, they have also been extremely difficult to quantify and calibrate, but ground-breaking work by Richard Barrett of the Values Centre in the US is providing tools and techniques to assess core values and measure corporate culture.

When values assessments are combined with an understanding of the organisation's DNA, this provides new insight into how a company can develop a more attractive brand for all its stakeholders and remain true to its core identity.

Throughout our lives, we are unconsciously driven to connect with people who seem to share the same values as we do.

If you bring your brand into line with the values that your stakeholders share, they will find your brand more relevant and more meaningful. This boosts your organisation's ability to deepen their loyalty and to attract more stakeholders with similar values. For example, values can be used to enhance existing customer profiling techniques. They can be used to model behaviour within the company and across all its relationships and they can be used to improve the relevance and clarity of communications with all stakeholders.

Then comes the crunch – the sound of our feet on the stony path of customer experience. This is the ability to inspire confidence in all your stakeholders through their experience of your organisation.

Delivering an authentic, consistent, attractive customer experience is not rocket science. The key is in understanding the 'deal breakers'. All customers have tolerance towards faults in the process, however, they lose patience quickly if that flawed process is all that exists.

GCCRM

It is important to understand the deal breakers, where they are occurring and why. Once these are brought out into the open, you can work on closing the gaps, through adjusting your brand image and refocusing your activities, to develop a more authentic brand experience.

Our experience has shown that customers don't want a relationship with your organisation. They want to feel valued and respected. These are the two most commonly stated reasons for emotional loyalty.

Beyond these, the customer experience must also deliver such hygiene factors as convenience, consistency and choice. These are the desired outcomes that your customer expects as a matter of course.

Understand what is important to your customers – distinguish their own specific desired outcomes, then monitor your performance against each of these desired outcomes to identify where you need to concentrate your efforts.
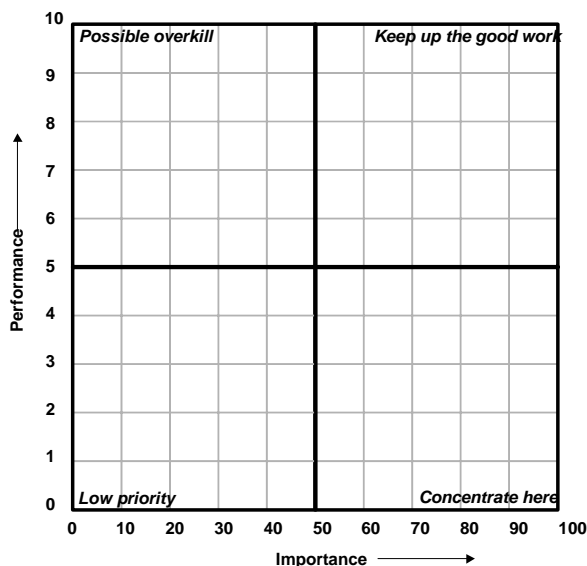
This is a more intelligent, resourceful and efficient way of delivering a brand experience than playing the 'me too' game with competitors. It focuses on delivering what matters most to customers, in line with the organisation's core identity and the shared values of its stakeholders.

By measuring the quality and consistency of your customer experience across all products, channels and subsidiaries it is possible to track the strength of your brand gravity to ensure that time, money and energy is being focused in the areas that make a tangible difference to the people that your business depends upon for success.

Customer experience is the place in space and time where you and your customer come together. It is actually the only means of differentiating yourself. It is winning the sale, changing the perception, inspiring confidence, solving the problem. But it cannot be viewed in isolation. If you try to conquer customer experience without dealing with the underlying context then you are likely to end up like the medieval explorers who believed that the earth was flat. You will fall off the edge.

Simon Daisley is co-founder and Managing Director of Profusion International, a business development company that specializes in giving people more to celebrate. In the private sector Profusion helps to build customer loyalty, brand gravity, employee satisfaction and shareholder value. In the public sector, it applies this same experience to increase organizational efficiency and service quality. Profusion has worked with organizations such as BT, Ferrari, Royal Bank of Scotland, Dagenham's, ANZ Bank and a number of leading public sector agencies including the UK's fastest improving local authority!

What is Customer Experience Management?

By John Chisholm, US

The easiest way to define CEM is to compare and contrast it with CRM. Beyond merely capturing the customer's contact and profile information, CRM deals with customer *behavior:* What has the customer purchased? What web pages did the customer visit? What questions did the customer ask of the call center?

In contrast, CEM deals with customer *attitudes*. How *satisfied* was the customer? How *likely* would he or she be to buy again? How *willing* would he or she be to recommend us to a friend or colleague? Consequently, CRM's focus is the past and the present. CEM's focus is the present and the future.

Gathering CRM data is relatively easy – all we have to do monitor and record customer behavior. Gathering CEM data is much harder – we have to elicit opinions, perceptions and other attitudes consistently across customers, which not all customers will provide; make certain the attitudes gathered are representative of an entire customer group; and aggregate those attitudes to make sense of them. All of this usually means conducting *surveys*.

The combination of CRM and CEM can be extremely powerful. CRM tells you what the customer did; CEM can tell you *why*. If a customer switches to a competitor, only attitudinal feedback will tell you that it was because of dissatisfaction with product features, or speed of service, or ease-of-use, or courtesy.

In particular, CEM can vastly improve the power of CRM to predict future customer behavior. We might naturally assume that a customer who has bought our product every month for the last ten years will continue to do so for the next year. But what if their satisfaction has been steadily declining over the six months? Suddenly, a customer previously seen as secure looks to be at-risk. CEM data gives us early warnings of at-risk customers so we can take the right actions to save them before they are lost.

Customer experiences can be measured either at specific touchpoints between the organization and its customers – such as call center, web site, product installation, onsite service, or account management – or overall. Touchpoint-specific surveys conducted immediately after the event or transaction are used for the first; relationship surveys that may ask for perceptions of brand, commitment, and trust are used for the second (overall). Both are needed to provide a comprehensive view of how customers see us.

Composing effective customer surveys is both art and science. To get accurate feedback, surveys need to help customers re-live experiences which may have happened weeks ago. Too, surveys often need to incentivize customers to provide feedback. If too long, customers will not respond; if too short, data gathered is incomplete and inactionable.

In large organizations, CEM systems act as corporate eyes and ears. They:

1) *Gather* timely feedback from key stakeholders – including customers, prospects, partners, and employees – on their satisfaction, intentions, and other attitudes towards, and about their experiences with, an enterprise; often through integration with CRM, e-business, and other IT systems

2) *Make actionable* that feedback through powerful analytics and reports, and instantly accessible to the right people at all levels of the enterprise through interactive dashboards, pushed reports, emailed alerts, and other means; and

3) Enable enterprises to efficiently *manage* actions responding to feedback.

Optimal design of CEM systems involves considerations not just of IT and corporate strategy, but also of statistics, sampling, market research, and human behavior. Well-designed CEM systems are especially important to large organizations, where the many divisions and departments could easily inundate customers with survey requests. They must also enable senior management to comprehend customer feedback across all of the company's touchpoints.

The benefits of such CEM systems have been firmly established. They inform the right individuals and teams when customers are dissatisfied and why, enabling those individuals and teams to respond immediately. They give rise to business intelligence warehouses that can be mined to ensure that investments are made in the areas with the highest payoffs. Through customer touch rules, they ensure that enough feedback is gathered for results to be meaningful, and conserve and optimize a precious resource: customers' willingness to provide feedback. Internally, CEM enables more effective rewards and recognition, thereby enhancing employee satisfaction and commitment. As a consequence of all of the above, CEM systems put organizations on paths of faster learning, faster process improvements, and faster gains in competitive advantage. Ultimately, they enable enterprises to increase customer retention, win more new customers, improve productivity, reduce costs, and raise profits.

John Chisholm is Chairman & CEO of CustomerSat, the leading provider of real-time systems for measuring and automating actions based on customer satisfaction and loyalty. Prior to founding CustomerSat in 1997, he founded and served as CEO of Decisive Technology, formerly the leading provider of desktop software for conducting online surveys acquired by MessageMedia. He has nearly three decades of experience in general management, marketing/research and strategy, including positions at Hewlett Packard, Xerox, Pyramid Technology, and Grid Systems. He holds a US patent in Internet polling technology; bachelors and masters degrees in electrical engineering and computer science from MIT; and an MBA from Harvard Business School. He serves as chairman of the Stanford Institute for the Quantitative Study of Society (SIQSS), sits on the market research council of the Association for Interactive Media (AIM) and on numerous advisory boards.

What is Customer Experience Management?

By Jennifer Kirkby, UK

Customer experience management (CEM) is much talked about in the world of relationship building. In many companies it is superceding CRM as the 'relationship' philosophy; but in truth it is an important **part** of the customer relationship management 'armoury': after all the main point of improving the customer's experience is to build a relationship.

CEM aligns the customer's reality (their experience) with a company's intended strategy and needs both organizational collaboration and a supporting infrastructure (processes, information, technology and metrics) to succeed see figure 1.

Figure 1 The Eight Building Blocks of CRM
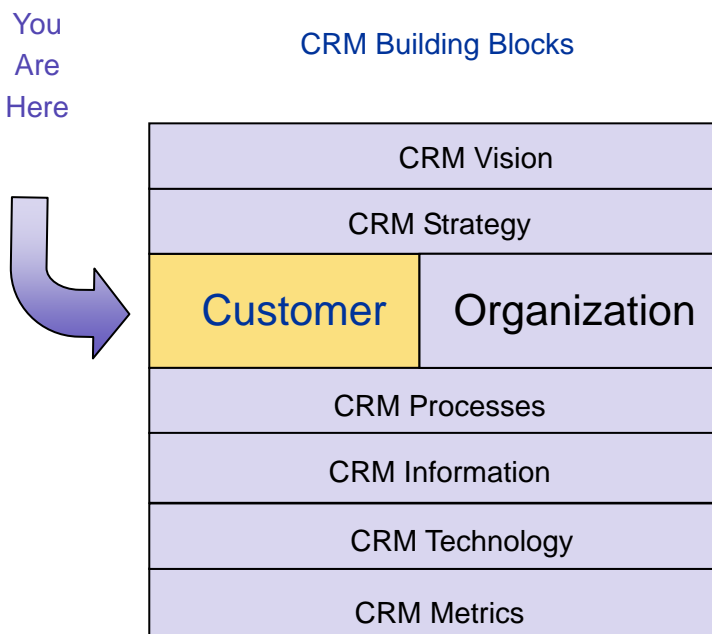
Source: J A Kirkby, Gartner

The aim of CRM is to build customer value through relationships. The prime way to do this is to identify and acquire potentially valuable customers and invest in their development by managing the customer experience. The customer experience is a combination of product, service and the "feel good factor" generated by a range of determinants (e.g., visual, tone of voice, smell, atmosphere, care and attention to detail) at customer touchpoints (e.g. salespeople, call centre agents, advertising). It is based on customers' expectations, determined by:

- Brand promotion
- Word of mouth communication and reputation
- Previous experience of the company
- Previous experience of other companies – (NB not necessarily competitors)

The Benefits of Managing the Customer Experience

CEM has three benefits:
- Improvements in customer loyalty
- Differentiation from competitors
- Improvements in reputation and retained business

Customer Loyalty

The customer experience is important in building emotional "loyalty" or commitment to an organization (see Fig 2). Experience is the ultimate conveyor of value to customers and is a primary influence on future behaviour. A poor customer experience is a step on the path to defection and damaging word of mouth; whilst a good one leads to retained business and recommendations. Companies who build emotional loyalty create a big advantage over those who only measure rational customer satisfaction.

Figure 2 – Emotional Loyalty Classifications

Source: Ogilvy

Competitive Differentiation

Brand monitoring shows that brands are becoming less distinct in consumers minds (see Table 3).

Table 3 – Brands are Becoming Less Distinct

Pairs of leading brands:	Similarity scores*
Consumer services	
Visa/MasterCard	45
Retail stores	
Staples/Office Depot	40
Consumer goods	
L'Oreal/Clairol	37
Catalog clothing	
LL Bean/Lands' End	36
Colas	
Coke/Pepsi	-7
Religious denominations	
Protestant/catholic	-7
Soap	
Dove/Dial	-9
Political parties	
Democrat/republican	-11

(More similar) +100

0

-100 (Less similar)

* Similarity scores: the higher the score, the greater the perceived increase in similarity between brands.

Source: Copernicus Marketing

What difference is perceived between Visa and MasterCard, or L'Oreal and Clairol.   Brands should be distinctive - that is the only way to build competitive advantage. They need a 'personality' that can be promoted and brought to life at touchpoints via the customer experience.   Brand promotion gives the promise; CEM is the physical delivery of that promise. This can be achieved by

- Basing brand values on what customers want
- Involving employees in developing the values
- Encourage staff to align their behaviour with the values
- Rewarding employees for delivering the brand values

Improvements in retained business

The management of CEM comes in two parts, strategic design and continuous improvement. Continuous improvement is enabled via customer feedback.   Feedback gives the company the opportunity to resolve complaints and improve day to day customer experience. It can have an immediate effect on business by reducing defection and business at risk, whilst increasing favourable word of mouth. Feedback can cut customer defection alone by two percent to three percent per year

There are various ways to collect feedback - surveys, complaints management, customer surgeries, user groups. However, the data collected must be converted into knowledge and then into improvements – both immediate improvements at the front line, and improvements to customer strategy.

Designing the Customer Experience

The customer experience is a step beyond customised services in the build up of economic value- the value

that widenes margins (see Table 1). Like product and service it needs to be
designed and managed. The buying of art staff areas; the staging of themes at exhibitions; the attention to the details of navigation on a Web site; a supportive attitude in response to complaints; are all part of the same phenomenon, creating a positive customer experience around the company's value proposition

Table 1 An example of the evolution of customer experience

Product	Model
Birthday cake cooked by parent from basic ingredients	Ingredients sold as a product
Premixed birthday cakes	A service added to the basic product
Ready made and iced cakes	Greater value service added to the basic product
Parents buy a complete party experience including cake	An experience is built around service and product

In designing and managing the customer experience, it is important to aim to **just exceed** expectations in the areas that really matter to a customer, and **just meet** expectations in the rest. Research techniques can establish what parts of the customer value proposition, customers value most, and which are merely necessities that all suppliers are expected to provide: which too are potential touchpoints. Exceeding expectations can be time consuming and costly, so must be done where it will be most effective.

The major steps of designing the experience are:
- Confirm by research that the company's brand values and image are valued by customers and perceived as different to the competition.
- Carry out strategic CRM research to establish the determinants of good relationships, how customers currently feel about the experience and what they expect and value
- Using a combination of touchpoint analysis, customer lifecycle interaction processes mapping and known relationship determinants, map out the Moments of Truth (MOTs) in customer interactions (i.e., where does the experience make the most positive and negative impact on customers)
- Establish the gap between desired and actual customer experience at the MOT's
- Establish the employee experience, at each MOT, and compare to the customer experience
- Design and pilot new customer and employee experiences
- Recruit, train, coach and provide incentives to staff to support the customer experience
- In the CRM strategy, build the required experience for each segment into the customer value proposition
- Put in place feedback mechanisms for continuous improvements

When designing the customer experience it's the little things and attention to details that really make the difference.

CRM is a necessity of modern business. CEM is a necessity for CRM. CRM is the long term strategy that builds the relationship asset; CEM is the tool to start delivering results today.

Jennifer Kirkby is an independent analyst and practitioner in "state of the art" marketing and customer management practices. She is a professional presenter, post graduate lecturer and author, described by peers as one of the leading independent CRM consultants and writers in EMEA. Currently Director of White Waves Ltd, she was formerly CRM Research Director for Gartner, where she was a primary architect of the Classic Gartner Model - The Eight Building Blocks of CRM. She has advised many Fortune 500 companies across Europe and Asia on how to improve their customer management over the last 5 years.