

Utilizing Customer Experience Management to Build Stronger Relationships

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There is enormous potential for companies to strengthen relationships with their customers when they commit to managing the service experience from their customers' perspectives. Companies like Disney and the Ritz-Carlton have proven that organizations can gain customers' loyalty by paying attention to individuals' needs and preferences, and then providing personalized service through a well-designed delivery process. Firms can no longer compete solely on providing superior value through their core [services], but rather they must enter into the realm of customer experience management, creating long-term, emotional bonds with their customers (Bitner, Ostrom, and Morgan, 2008). To achieve these bonds, organizations strive to provide a "perfect" customer experience, and researchers Pennie Frow and Adrian Payne (2007) have outlined a process for organizations to use:

- Recognize the problem and the opportunity for improvement
- Identify opportunities
- Utilize mapping tools to improve the customer experience
- Carefully manage customer "touch points"
- Introduce appropriate metrics for measurement of customer experience
- Ensure a consistent customer experience within and across multiple channels
- Determine how customer requirements differ across the relationship lifecycle
- Recognize the need for cross-functional integration
- Understand the economics of customer segments
- Achieve brand consistency with all communication programs
- Enhance employee motivation to achieve superior customer service

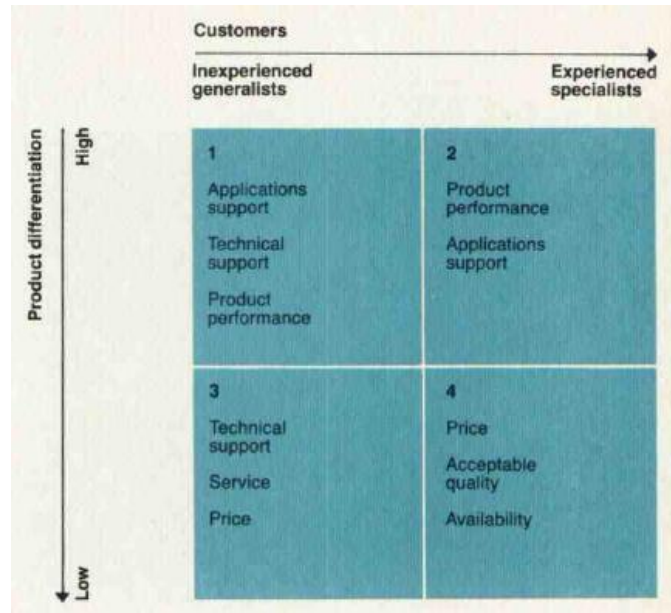
This paper will touch on a few of these steps, to show **service providers** opportunities to utilize the CRM concept of **Customer Experience Management (CEM)** to work towards delivering a "perfect" experience, while **building stronger customer relationships**. Many times, organizations try to "do CEM" by piecing together different technologies, collecting customer data, and touting that they are focused on service. Not surprisingly, they often fail. The service experience must be carefully designed and coordinated to ensure each touch point makes sense and adds value to the customer, connects to the organization's mission, and that all systems, visible and invisible, are in sync. If an organization executes a poorly constructed CEM plan, it could actually be worse than doing nothing at all. Customers may get a piece of mail that is clearly not targeted to their needs, and could think that the organization doesn't care enough to understand their needs; or, they could have an experience with the organization that is

vastly different from what was promised. Both scenarios erode the organization's credibility with their customers, but are unfortunately all too common. CEM is, no doubt, a major initiative that requires time and money to work. But the rewards of executing CEM well can have a major return on investment in the long term. To get there, marketers can use tools such as touch mapping, service blueprinting and service clues to develop a **service delivery process** that will ensure a more **consistent** experience, while also allowing for **customization** to individuals. Delivering quality services consistently is what builds customer expectations, loyalty, and trust. Customers know what to expect and they get it – although that's easier said than done. Considering that the customer's overall impression of the organization is based on the best or worst part of possibly just one experience, it's clear why developing and planning for positive customer experiences is critical. Finally, this paper will identify measures that organizations could use to **quantify the profitability** of a CEM initiative.

Before designing a new customer experience, organizations must have an understanding of consumer psychology. Managers must understand what their customers *feel* as a result of what they do, because the true impact of a service experience is in the emotional connection customers have with the brand. A service designed around what customers consciously and subconsciously want, and that is embedded with purposeful "clues", will be key to creating these connections. Consider the findings from Richard Chase and Sriram Dasu (2001) regarding the effects of sequence, duration, choice, and rituals, on service experiences. They found that people prefer experiences that improve over time, so the sequence of steps should be designed to end on a positive note. Also, people can't interpret how long an activity actually took, so their impression of time spent is distorted. Chase and Dasu also found a preference towards longer, but fewer segments (two 20-minute segments versus four 10-minute segments, for example). Thus, managers should ensure the experience finishes strong, and get the any unpleasant but necessary steps out of the way early. They also recommend allowing customers to control how they want to handle any negative but necessary steps (e.g., self-service options, ability to choose most convenient appointment time). Finally, build rituals into the service and stick to them, especially for experiences that extend over periods of time. For example, weekly status updates, or a monthly progress report let people know that service providers are doing what they promised, and helps people evaluate the experience.

Once behavioral aspects have been considered, managers can then consider the specific needs of their customer base. Using the IDIC process (Peppers and Rogers, 2004), customer segments can be

identified, and then options for **differentiating** services, personalizing customer **interactions**, and opportunities for **customizing** experiences to individuals, can be devised. This is also the time to conduct qualitative, quantitative and observational research to uncover underlying customer needs and



preferences. Many times management will be surprised by the results of this research because the factors that they assumed would be most important to customers aren't always those things that drive satisfaction (Ford and Heaton, 2001). Those "gaps" between customers' needs and managements' assumptions are where the opportunities exist to improve the customer experience. Managers should also understand how the service experience may need to change to meet future demands.

What customers want today will be different

tomorrow as their lifestyles change. Also, as customers continue to buy, they change from "inexperienced generalists to experienced specialists" (figure, DeBruicker and Summe, 1985) and the benefits they will seek from the organization will change. Service providers that can anticipate necessary changes to the customer experience and proactively adapt will retain their customers' business.

After obtaining customer insights, organizations can then work on improving the mechanics of the services experience from their customers' perspectives. "One of the most distinctive characteristics of services is their *process* nature... services are dynamic, unfolding over a period of time through a sequence... of events and steps" (Bitner, Ostrom, and Morgan, 2008). Thus, an organization must understand this sequence by documenting the process. To do this, the concepts of **touch mapping** and **service blueprinting** can be used.

The touch map will document the entire scope of the consumer lifecycle – awareness; information gathering; analysis and preference; purchase and consumption; follow-up; and, repeat business – and what the customer experiences in each step of the cycle. This includes the setting, the information collected, the services delivered, and any sequencing or cross-functional steps. Organizations can also

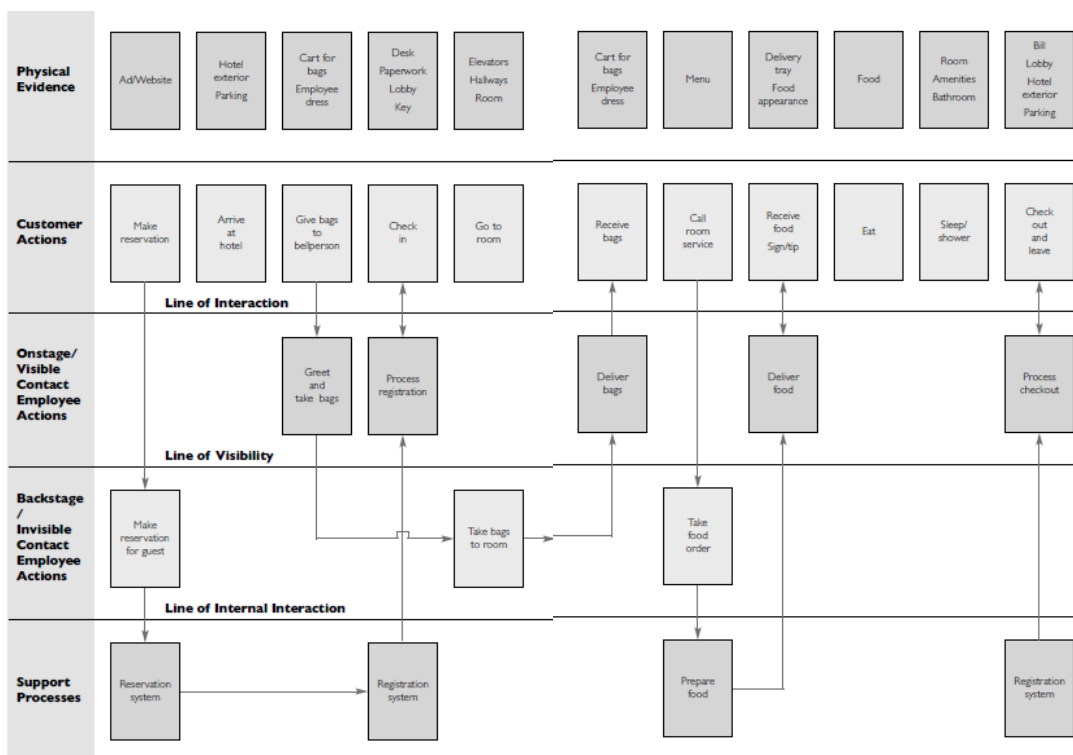
create touch maps of competitors' services to identify opportunities for competitive advantage and differentiation. Managers must also design **service clues**, both tangible and intangible, for customers to experience at each touch point. Clues can be tangible and intangible, and are the nuances that make up the customer's experience. They are classified as functional, mechanic or humanic. Functional clues concern the technical quality of the offering, or the "what" of the experience; mechanic clues come from the objects or the environments involved with the experience; and, humanic clues emerge from the behavior and appearance of the service provider (Berry, Wall and Carbone, 2006). Functional clues address the problem that brings the customer to the market in the first place. However, the mechanic and humanic clues affect a customer's emotional perspectives of quality, making these clues critically important to design. *(See the appendix for an example of service clues designed for Deluxe Corp.)*

Lewis Carbone and Stephen Haeckel (1994) outlined a systematic approach to designing clues: Educate employees and management on the value of engineering customer experiences; Collect and analyze customer data, and test planned experience elements; Test different clues with customers; and, Implement the clues. The right mix of clues will not only cater to customers' needs, but will fit the brand's identity, and promise a service experience that the organization must deliver. Disney is a great example of an organization that understands the impact of clues. There is a purposeful design behind every clue a "guest" encounters that create the unique Disney experience (Carbone and Haeckel, 1994). The Magic Kingdom's Main Street, for example, "is inclined and the building facades are sloped to produce a 'Hollywood' perspective, making it appear longer" thus providing an inviting stroll towards the castle. This also means that the perspective guests have as they exit is of a shorter distance, which is a welcome relief to guests who've been walking all day in the hot sun. That's just one of many examples where Disney used clues to create an experience that is better than anything the customer could have imagined, and something that no competitor could match.

Once the touch map and clues have been completed, organizations must figure out how to execute that plan through their systems; this is where **service blueprints** can be used. This blueprint allows an organization to explore all the issues inherent in creating or managing a service, with the ultimate goal of benefiting the customer. The process of designing a blueprint involves the consideration of several issues (Shostack, 1984): Identify and map the process that constitute the service (reveals the inputs and actions needed to complete each step); Isolate fail points and build in sub-processes to correct possible error; Establish a time frame or acceptable standard of execution time; Analyze profitability (or lack of) if

the system goes off track (e.g., what are the costs of a delay if customers wait more than the allotted time?); Weigh any alternative options for executing the service or steps within the service to enhance value, productivity and profit margins; and, Modify the service and integrate clues to create a premium experience, possibly for a premium price.

The service blueprint is then broken down into five components: Customer actions; Visible employee actions; Invisible employee actions; Support processes; and, Physical evidence. Here’s an example of a blueprint that documents an overnight hotel stay (Bitner, Ostrom, Morgan, 2008):



Once the full CEM initiative has been researched, designed and then finally put into practice, customers will expect and rely on the promised experience, but overtime, will expect more and more. This is where the main idea of CRM – “treating different customers differently” – becomes so important. Today’s CRM technologies and sophisticated databases provide real-time access to information, making personalized service easier than ever to deliver. But employees must believe that they have the ability to **customize** the experience for individual customers, be motivated to do so, and understand how to utilize the available information and tools. The touch map and service blueprint will provide a common

base from which managers and employees can understand the flow of the service (Bitner, Ostrom, and Morgan, 2008) that customers will expect. Without this, employees may be providing what they feel is a great experience, but it's not what the customer was promised. MasterCard found this out the hard way. They asked their business cardholders if they were offering the strategic tools and advice to help manage their business funds (which was a goal of MasterCard's customer service), and unfortunately the cardholders didn't think so. Even more unfortunate was that MasterCard employees thought they were giving business cardholders outstanding advice and service (Miller, 2009). This example shows the importance of understanding the processes from both internal and external perspectives. "It is the human factor that holds the ultimate balance of quality in service industries. Service providers not only deliver and create the services, but are often seen as synonymous to the firm in the eyes of the customer" (Kandampully and Hu, 2007), so they must be able to deliver on the promise made by the organization, as designed in the service experience. Training, culture, competitive incentives and hiring practices, will help manage the "human factor" in the service experience. Companies must attract the kind of talent (at all levels) who will appreciate the environment and philosophy, because they are going to attract the kinds of customers who will come to expect a great experience. And many times, customer experience management efforts flounder because senior management or front-line employees, or both, are not fully on-board with CEM (Berry, Wall and Carbone, 2006).

One of the many risks organizations take when embarking on a CEM initiative is the enormous amount of time and money that must be invested. But once organizations have effective processes in place and have access to valuable databases of customer information, they will be able to transcend the run-of-the-mill, order-taking service interaction, and truly personalize the experience to the individual customer. Having this kind of experience will make it nearly impossible or unthinkable for the customer to shop elsewhere, as they would not be able to get the same attention or service. Former CEO of General Electric, Jack Welch understood the importance of this: "We only have two sources of competitive advantage: the ability to learn more about our customers faster than the competition, and, the ability to turn that learning into action faster than the competition". Also, when management understands what is most important to their core customers, they are better able to allocate resources to items that have the most impact (Ford and Heaton, 2001). Compared to the hit-or-miss nature of many customer service experiments that eat up resources without real knowledge of customer acceptance, the research behind a CEM initiative should increase the rate of success, and have a much greater return over the life of the customer. Organizations can also estimate the savings they could get

by having a more efficient processes, additional revenue they could receive through increased repeat business, customer retention and word-of-mouth or referrals, versus the costs of new customer acquisitions. Also, with a greater competitive advantage, organizations could identify how much an increase in market share could be worth, especially if they have targeted gaps in the competitors' service experiences and have plans to address those areas. It is important for organizations to be prepared for the fact that a CEM initiative requires an organization-wide shift in culture and philosophy, and it will not necessarily be profitable in the short-term, so long-term measures must be used instead of the typical quarter-to-quarter returns that are common today.

There are many success stories from companies that focused on providing outstanding service experiences for their customers: Nordstrom, Southwest Airlines, Best Buy, Amazon, and Disney, just to name a few. Not only did these organizations build stronger relationships with their customers by understanding their needs, but they put in place CEM and CRM initiatives that allowed them to offer unique and rich experiences, while also gaining competitive advantages and increasing profitability. Customers of those companies expect and receive personalized experiences when they interact with any channel or employee, and they are rewarding companies with their loyalty and repeat business... which these companies track, analyze and use to make their customers' next experiences even better.

APPENDIX

Deluxe Corporation "Clue" Design, taken from: "Service Clues and Customer Assessment of the Service Experience: Lessons from Marketing," Leonard Berry, Eileen Wall, and Lewis Carbone, 2006.

Although checks remain the dominant form of non-cash payment, their proportion of the total payments market has declined considerably over the last 20 years and will continue to do so as consumers, business, and financial institutions maintain multiple payment methods for the foreseeable future. Faced with this reality, Deluxe Corporation's Financial Services Division, which is the largest provider of checks in the United States, launched a strategy to enhance its customer experience value. As part of this strategy, the company established the Deluxe Knowledge Exchange Collaborative, which was designed to help financial institutions (their clients) network and share knowledge for overcoming common customer business challenges. The collaborative comprised a group of 11 professionals from national and community banks and credit unions from across the country. Their mission was to employ state-of-the-art experience management strategies for improving business results and establishing compelling customer experiences. The group initially assessed their customer service challenge based on consumer research indicating that a financial institution's newest customers are also the most vulnerable. The first 90 days of a customer's experience is pivotal in shaping their relationship with the institution; the customer's initial contact impacts churn, cross sell, profitability, and other critical measures. This research also indicated that customers want flexibility, personal attention and advice from their financial institution. So Deluxe designed a set of clues to drive the "First 90-Day Experience" that staff was required to perform when interacting with new clients. Based on other research, here were the clues that were embedded into those initial interactions:

- "Just Like Home" (humanic clue) – The receptionist acknowledges each person who walks in and, if possible, greets everyone by name. The receptionist's awareness should be as keen as when someone enters an individual's home. This clue signals that employees are focused on customers and not bank processes.

- “Stand Up” (humanic clue) – The employee stands up and acknowledges a customer coming to the desk. Standing up conveys respect that enhances feelings of being welcomed, and it also forces the employee to shift attention from other tasks to a central focus on the customer.
- “The Approach” (humanic clue) – The employee physically moves forward to greet the customer rather than waiting for the customer to arrive. This action creates a sense of meeting the customer “halfway,” helping the customer feel more important, more engaged, and central to the experience.
- “120-Second Self-Portrait” (humanic clue) – the employee devotes at least the first 120 seconds of the interaction to learning about the individual by evoking the customer’s story (“tell me about yourself”). This establishes a sense of who the customer is. Intensely listening to the customer during this “self-portrait” helps the employee sense and respond to customers’ needs and desired.
- “Desk Connectors” (mechanic clues) – the employee places three elements on the desk to help convey personal information, e.g., a family photo, a skiing picture. Portraying specific aspects of the banker’s life and interests presents opportunities to create a personal connection with a new customer, provides an opening for dialogue, and conveys a better sense of the individual employee.
- “Engagement Map” (mechanic clue) – the employee uses a simple, clear map or illustration to depict the process of opening an account, including anticipated documents, wait time, events, and process. The map orients customers so they don’t feel lost or surprised by any aspect of the experience, and it also helps set realistic customer expectations.
- “The Flip” (humanic clue) – The employee presents the client as the honored guest, the “one to meet.” For example, “Mike, I’d like to introduce you to Jim Smith who has just opened a new account with us” as opposed to “Jim, I’d like to introduce to our Branch manager, Mike Johnson.” This dialogue flips the focus from banker to customer, elevating the customer’s status.

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