



ustomers and companies talk about 'experience' a lot these days, and for good reason. Think of a product you want to buy or a service you want to use and - save for some rare instances - there will always be at least two competing providers to choose from. Tesco and Sainsbury's both offer the same sorts of products at a similar price. You can get working, reliable phone, broadband and TV services from either Virgin Media or Sky. The list goes on: competing providers, all price matching, all offering comparable products and services. So where do you choose to spend your money?

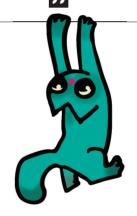
A lot of the time, the decision comes down to which company provides the best customer experience. What a 'great experience' looks like is largely in the eye of the beholder. It could be a website that's easy to navigate, an e-commerce site that remembers your shopping basket across devices, or call centre staff who can solve a

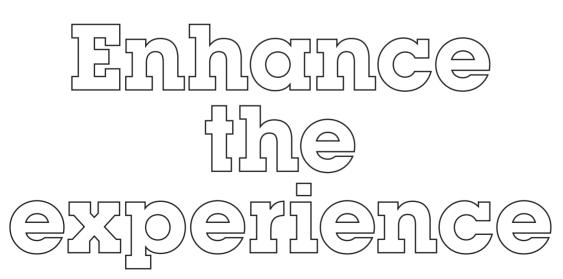
query on the first call. But regardless of the form it takes, the end result is the same: great customer experience makes customers happy and keeps them coming back for more.

For many people, Amazon is the standard bearer for great customer experience. The online retailer regularly tops rankings for the quality of its service and the satisfaction of its customers. "Our energy at Amazon comes from the desire to impress customers, rather than the zeal to best competitors," wrote CEO Jeff Bezos earlier this year in his annual letter to shareholders.

Bezos has been writing these letters since 1997. Returning to his first letter today, you see how he realised early on that the web was the "world wide wait" – at least it was in the days before e-books and digital delivery. Back then it lacked the gratifying immediacy customers could get by walking into a bookshop, browsing and making their purchase. "Therefore, we set out to offer customers something they simply could not get any other >

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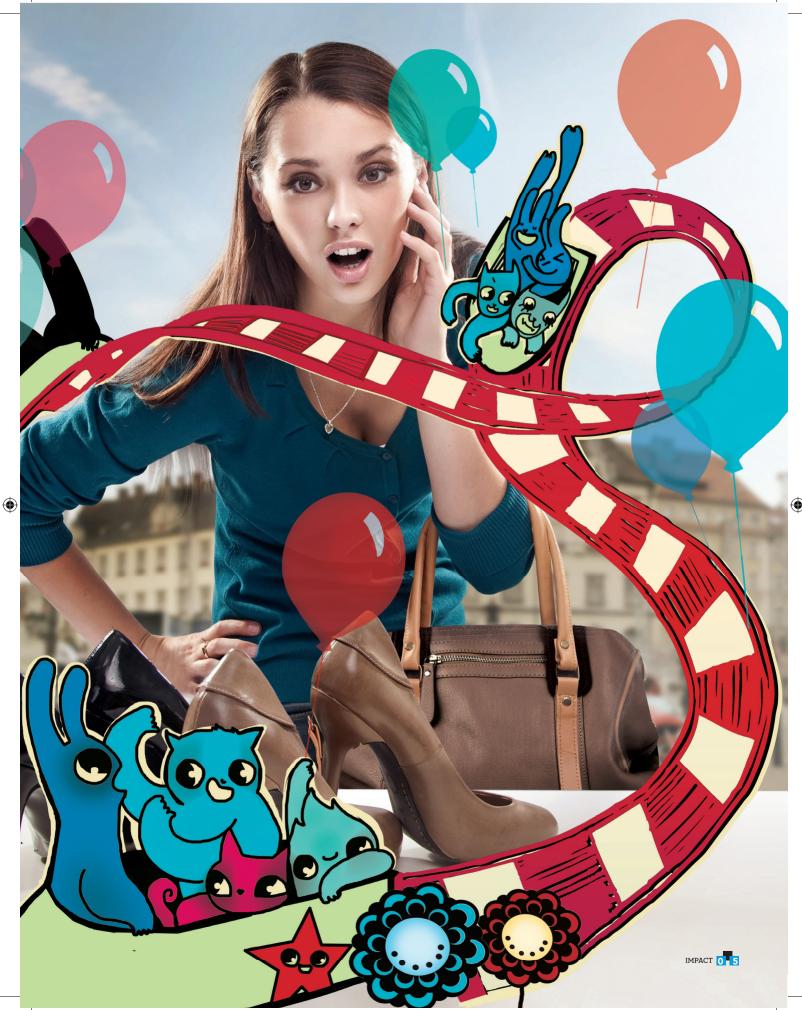


Creating customer experiences that surprise and delight at every touchpoint is fundamental to success. But it's not easy to achieve. Businesses need to apply consumer insight with wisdom and creativity to make it happen. By **Brian Tarran** 

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way," wrote Bezos. A broader selection of titles, round-theclock shopping, reviews, recommendations, lower prices. Amazon offered an allencompassing experience that customers couldn't easily find in the physical world.

# The origins of customer experience

Customer experience, as a concept, is not new. It would be absurd to think that there was ever a period in time where organisations didn't think about their customers and the experiences they created for them. What's different now is that customer experience is becoming a recognised professional discipline with an associated set of processes and practices.

Business historians might trace the roots of the customer experience discipline back to the 1980s; the decade that gave birth to customer relationship management. CRM was an early attempt at customercentricity, says Ed Thompson, an analyst with the Gartner research firm. "But somewhere along the way it got screwed up. It lost its original meaning. It became about selling to customers and marketing to customers,

and generally doing things to customers. There was no thought of the customer really being put first." This triggered a backlash in the early 2000s, says Thompson, and customer experience was born.

Leading the charge were Joseph Pine and James Gilmore, authors of The Experience Economy, a business text published in 1999 that proved influential in the early formative years of the customer experience movement.

"Experiences are a fourth economic offering, as distinct from services as services are from goods," they wrote. "When a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages - as in a theatrical play - to engage him in an inherently personal way."

The key words there are "personal" and "memorable", says Stephen Walden, vice president of consulting and thought leadership at Beyond Philosophy, a customer experience consultancy. Thus, customer experience management - as a business discipline - is about "looking at and noting the emotional connections people have

through the customer journey," says Walden. "It's about finding and extracting value in the customer journey, in a way that differentiates you from the competition."

Pine and Gilmore updated their book in 2011. They lamented the fact that, 12 years on: "Relying on the manufacturing of goods and the delivery of services remains the mindset of too many executives. prohibiting the shift to more vibrant enterprises offering experiences."

Experiences are a fourth economic offering. as distinct from services as services are from goods

That's undoubtedly true, but it would be wrong to say that interest in customer experience isn't growing. Company by company, senior executives acknowledge that they need to offer more than just easily-commoditisable goods and services. They are hiring people to develop customer experience strategies, putting teams in place to design those experiences and training staff to deliver them.

# BRUCE TEMKIN'S SIX LAWS OF CUSTOMER EXPERIENCE

### **Every action creates** a personal reaction

Experiences are in the eyes of the beholder, so remember that experiences designed for everyone satisfy no one.

#### People are instinctively self-centred

Don't let company organisation drive experiences. Don't make customers jump through hoops because of the way your business is set up

### **Customer** familiarity breeds alignment

A clear view across the organisation of what customers need, want and dislike can align decisions and actions.

### Unengaged employees don't create engaged customers

Walt Disney explained it thus: "You can design and create and build the most wonderful place in the world. But it takes people to make the dream a reality.

### Employees do what is measured. incented and celebrated

Companies need to clearly define what good behaviour is and reward it accordingly. And be wary of sending out mixed signals

**You can't fake it**Employees and customers alike can sense if customer experience is not really a top

Download the full white paper at bit.ly/Gszm







# A common currency

For many companies today, customer experience is thought about and managed as the sum of all the interactions a customer has with a company: whether its an ad they've seen, a product on a store shelf, a phone call to customer services, an exchange of tweets, or a recommendation from a friend.

Marketers call them "touchpoints" – and there are a lot of them.

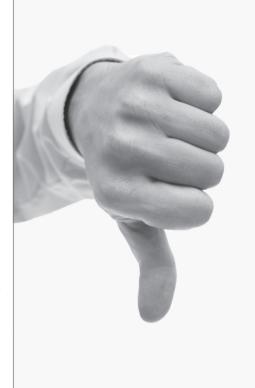
"In digital, you've got social and video, core website and mobile.
Then you have the traditional offline channels – TV, radio, print etc," says Brian Walmsley, chief marketing officer of Bounty, a parenting club owned by the Treehouse Group.
"When I started in marketing 20 years ago, it was just TV and print. Now there are so many different

touchpoints that it makes sense to have a common currency."

That currency is customer experience. Using Net Promoter Score or some other metric, CMOs like Walmsley are able to measure satisfaction with each of these different touchpoints to figure out which ones are performing well and which ones are letting the side down when it comes to driving sales.

That's right: 'sales'. While the quality of an experience might best be measured by assessing the consumer's emotional response to it (see *The psychology of customer experience, and how to measure it,* p9, those businesses that have adopted customer experience programmes tend to use hard financial metrics to grade performance – and work by Harley Manning and colleagues at Forrester Research supports this decision.

"Customer experience is a tremendous path to profitability," says Manning, research director in •



# Excellent.

Here's an irony.

We've learned more about how to improve loyalty from listening to unhappy customers than from anywhere else.

That's because increases in loyalty are more likely to come through taking away the causes of dissatisfaction than from anywhere else.

Of course, that's not the full story when it comes to measuring customer experience (CEX).

But as a start point for using CEX to increase customer loyalty and value, it's not bad.



www.quadrangle.com/cex









"But we had this vision to be number one for customer experience," Risebrow explains.

NPS is an alternative measure of customer satisfaction, which asks customers to rate how likely they are to recommend a company or a service. There's some dispute around

customers to rate now likely they are to recommend a company or a service. There's some dispute around its claim to be the "single most reliable predictor of a company's ability to grow", but the idea that happy customers tell their friends is by no means controversial. "Encounter something positive and it makes us feel good and increases the likelihood that we will engage with it again and recommend it to others as a positive experience," says Simon Moore, a chartered psychologist.

Customer experience brings people within the business together and gets them talking, using a common language

Where Net Promoter has benefited Virgin Media is in "helping the company get into the customer's shoes," says Risebrow. In five years, Virgin Media has gone from bottom quartile to top quartile. In the same time frame, its stock price on the Nasdaq has risen from less than \$5 to \$50. "That's a ten-fold increase in shareholder value that you can associate with our journey as we've gone through and improved the customer experience."

# Starting the transformation

In theory, Risebrow sees customer experience management as being a straightforward, two-step process. Step one is to listen to customers. Step two is to do something with the data you collect. In practice, there's more to it than that, and for companies who've yet to adopt customer experience management





as a discipline, it can be hard to know where to begin.

Forrester's Harley Manning advises that companies start at the end. "It's always important to keep the end goal in mind, and that is to do business in a way that creates a great experience for customers – as a way of getting a bigger share of wallet from those customers, retaining them longer, generating positive word-of-mouth and reducing the cost to serve them."

The next step is to develop a plan for the kind of experience you want to deliver. Take the Apple Store - a great example of a company remaking the retail experience. "Well-intentioned people might walk into an Apple Store and say, 'Wow, that Genius Bar is great. We should put one in every one of our stores'. But maybe that's totally off-strategy for you," says Manning. "If you are a company that competes based on being a cost-leader, then putting in an expensive Genius Bar is not going to match your brand attributes - it's going to disrupt your overall strategy and confuse your customers."

So figuring out what it is that customers want and expect is key. But it's surprisingly easy for firms to jump to the wrong conclusions if they don't have research to point the way. "If you're in a pub tonight and you love Virgin Media, you'll be talking about products first, value for money second and service third," says Risebrow.

"quite a shock" to the organisation, he says.
"When we started down this path five years ago, we thought we would differentiate on service. But what customers want is super-fast, reliable broadband and next-generation TV. Last year, we took the decision to double our customers' broadband speeds and

committed £130m to do that. The big

bucks in the business need to follow what's important to customers. But this is very different to where we thought we'd be spending money when we started this journey."

### Customers are people too

Customer understanding comes through customer research, says Manning: "...interviewing customers and studying what they do when they interact with you, whether that's in their homes or in a retail location or office, to really get at their true context and their true motivations."

Journey mapping is an approach that many companies have found to be useful in helping them get to grips with all the different touchpoints that customers encounter on the path from awareness through to purchase. It was one of the first tools Standard Life employed after deciding that, as

a business, it wanted to be defined by the customer experience it provides, rather than just products or services.

The executive spearheading the transformation of the life assurance business, with £19bn in annual revenue, is Stephen Ingledew, managing director of customer and marketing. His main aim was to get Standard Life to relate to its 3.7m customers as individuals; as human beings. "We had to start relating to them in the context of their broader lives, not just in terms of what their financial needs were," Ingledew says. There were pockets of customer experience work already going on within Standard Life, but nothing pulling it all together. The same was true of customer insight, Ingledew says. "We had a team responsible for customer insight but, in a way, the insight they had wasn't being used. It didn't actually result in anything." >

# THE PSYCHOLOGY OF CUSTOMER EXPERIENCE, AND HOW TO MEASURE IT



By Dr. Simon Moore, a chartered psychologist with the British Psychological Society and an executive consultant with Innovationbubble

Customer experience is an ethereal concept, but one that has a very physical and measurable impact on brand value, trust and economics. It combines factors better understood by trained psychologists – the rational, irrational, emotional and sensorial judgement scales that operate both consciously and unconsciously in the mind of the consumer.

There are a number of methods that we can use to try to tap into these different aspects of experience. Focus groups have often been employed to mixed effect, but customer journey mapping is a useful tool that lends itself to creating 'experience profiles'. Customer-led storytelling can open a window into the mindset of the consumer and has the advantage of being led by them, so it's not constrained by pre-judged questions on the part of the investigator. Biometrics also offers some awareness of the arousal and engagement levels of the consumer at different points in the experience journey.

Psychologists can also employ measures of consumers' emotional experience (both positive and negative, and weak and strong), evolutionary programming (gratification bias: the tendency for people to prefer a smaller, immediate payoff over a larger, delayed payoff), decision-making biases and personality aspects.

The weak link in this whole area is uncovering the hidden/unconscious triggers that influence customer experience. Psychologists are making some inroads here, and work on implicit associations and implicit attitudes have the potential to turn some of the more ethereal aspects of experience into measurable data.

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The solution, as Ingledew saw it, was the creation of a new team with three core responsibilities. He explains: "One part of that is insight, and we have people whose job it is to think about how they use insight to drive business change. The second part of the team is a group responsible for the ownership of customer experience, end-to-end, on an ongoing basis, no matter how a customer comes to us. They're looking at what works and what doesn't work from a consumer perspective, but they'll also look at what makes it difficult for our own people to relate to customers."

The third part of the team is responsible for customer complaints – not just handling them, but responding to them and learning from them, which is something

Standard Life wasn't doing enough of before, Ingledew says. "Often, complaints aren't big complaints. They are usually just people explaining how we're not making something easy for them, or that they're getting sent bits of paper that they don't need. But we weren't taking that feedback and thinking about how we could improve the experience and save some money at the same time."

# The importance of feedback

Having a system in place that can manage, respond and filter customer feedback to relevant parts of the organisation is a critical component of successful customer experience programmes. Feedback comes in different shapes and volumes,



# THINK LIKE A DESIGNER

### Mat Hunter of the Design Council on how design thinking helps businesses solve customer experience challenges

'Design thinking' refers to a generalised way in which designers understand problems and the way they create solutions. Designers will always look at a problem from the outside in and from the users point of view. They'll say: "Look at this experience that I'm having. Look at these things that I'm touching or feeling or that I'm surrounded by? Are they good? Do they make me feel happy? Do they help me achieve what I want to achieve?"

This is where the link to customer experience comes in. Designers are very much user champions. Some people would argue that businesses typically optimise for the status quo. They find a way to remove the inefficiency from a sales process, a purchase process, a usage process, a support process. And what you end up with is lots of departments - the retail department, the marketing department, the manufacturing department, the after-sales department - all of these silos, because that's the way that corporate structures can best optimise them.

But from the customer experience point of view, of course, it becomes very disjointed. Maybe what the sales force is thinking is very different from what the manufacturers are thinking, and of course after-sales support aren't really

talking to the manufacturers. So you end up with a sub-optimal customer experience. The way designers think is to look across a business – to see, from start to the finish, how to create an integrated, empowering, wonderful experience.

Designers have learnt to collaborate with social scientists, cognitive psychologists and anthropologists in order to really understand what people want. The distinction, perhaps, between classic market research and design-led ethnographic research is that market research, typically, speaks to lots of people to understand what they do now, whereas design attempts to understand people's latent needs, their future needs, their unmet needs – and that requires a slightly different approach.

Steve Jobs is probably the best-known exemplar of design thinking. He was dismissive of market research and asking people what they wanted, not because he didn't care what people wanted but because he recognised that he had a very rare talent: to be able to take the world around him and understand it and synthesise it into what people might need in the future.

Mat Hunter is chief design officer at the Design Council



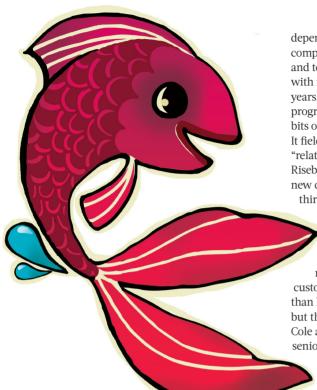








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depending on the organisation. A company like Virgin Media has "tens and tens of millions" of interactions with its customers annually. In five years, its customer experience programme has amassed five million bits of individual customer feedback. It fields upwards of 10,000 "relationship surveys" per month, Risebrow says. In addition, every new customer is surveyed and a

third of all people seeking service support will also be asked for feedback.

At Deutsche Post DHL Supply Chain, the numbers might be smaller – its customers are big corporates rather than lots of individual consumers – but the data is no less crucial. Harry Cole and Paul Ryan are, respectively, senior vice president and VP of

Customer4Life, a customer experience programme that kicked-off last year. DHL Supply Chain measures customer loyalty and satisfaction through regular surveys, like most

companies, but it also has established protocols for feeding back data in other ways.

Win or lose, after contract renewals, third parties are sent to interview the client (or former client) to find out what went right (or what went wrong). It employs a "customer sponsor", whose job is to meet with customers and monitor the experience that they are getting. It runs "top-to-top" sessions to bring senior executives together to discuss their needs and whether they are being met. And it develops joint business plans with its customers including major retailers, consumer goods companies, auto makers and technology firms - and these plans are reviewed quarterly.

These joint business plans could almost be considered totemic of the change DHL Supply Chain has gone through. "We had become very good at writing things like account plans, which tended to focus more on our needs," says Cole. The new approach is to sit down with customers, to

# THE RISE OF THE CHIEF CUSTOMER OFFICER

### Meet the new breed of executive taking charge of the customer agenda

Chances are that you haven't ever met a chief customer officer. "It looks like there's about 337 of them right now," says Curtis Bingham, founder and executive director of the Chief Customer Officer Council. "The numbers are still kind of slim." But they are increasing.

The CCO Council dates the first appearance of this role back to 1999, when Jack Chambers was named CCO of the Texas New Mexico Power Company. But as of now, according to Forrester's Paul Hagen: "They sit at high levels of power within companies as diverse as Allstate, Dunkin' Brands, Oracle and USAA".

Oracle's CCO is Jeb Dasteel. He joined Oracle in 1998, having worked in management consulting. His job initially was to build a business consulting practice to work with Oracle's customers to develop business cases for how Oracle's technology could be applied within their organisations.

"But nine years ago, our president asked me to step in and pull together all the different facets of customer centricity that we were starting to develop across the company, none of which were really linked together or synchronised. My job," says Dasteel, "was to come up with one rational global view for how we manage customer centricity."

Forrester defines the chief customer officer role broadly as "a top executive with the mandate and power to design, orchestrate, and improve customer experiences across every customer interaction".

Yet according to Bingham, customer experience is but one small part of the CCO's job.

A 'chief customer officer roadmap' produced by CCO Council members contains "over 100 different activities that a company needs to embark on or engage in, in order to be customer-centric," says Bingham. And customer experience is only one-twelfth of those (see bit.ly/15Ny2cX).

"The CCO's biggest objective is to increase the overall value of the customer as a strategic asset," he explains. "They succeed by bringing the customers' perspective to the executive team and balancing customer needs with business needs. And the ones that are most successful are the ones that can, at every major strategic decision-making point, answer the question, 'What is the impact of this decision on the customer?'"



Jeb Dasteel



Curtis Bingham





"share experience, ideas and commitments". "It's no longer just a supplier relationship, with us saying 'This is what we'll do for you guys'. It's very much a jointly crafted and agreed plan, which we think gives us a great roadmap to get at new areas that will allow us to create a much better customer experience."

### Co-creating with customers

As DHL Supply Chain is discovering, co-creation processes have a valuable role to play in helping companies design and deliver experiences for their customers. "It's catching on like crazy," says Forrester's Manning. Businesses are keen to adopt it, and quickly, but Manning cautions that it needs to be part of a rigorous process. "You can't just bring your customers in and say, 'Tell us what you want'. You have to be disciplined."

Having a customer mindset is just as important for finance, IT and HR as it is for those working in marketing

The process starts with a bit of design thinking, the aim of which is to define where a business wants to go and to look at all the different possible routes for getting there (see Think like a designer, p10). "That's the part that people tend to forget," says Manning. "They tend to fixate on the first idea that pops into their head - when they really should be considering all possible solutions to the problem first, before narrowing it down to one."

It's at the halfway point, when you know the general shape of what you want to do, that co-creation comes into play, explains Manning. By following this process, companies can ensure that their experience has been properly ideated, prototyped

and tested with real customers. "You avoid going down the wrong path in creating a thing that you think people will like," says Manning.

So how do companies measure the success (or otherwise) of their customer experience strategies? As mentioned at the outset, companies - by and large - are using hard, financial metrics to evaluate impact, but there are more customer-centric measures too.

At DHL Supply Chain, Cole explains how satisfaction and loyalty scores sit alongside "more tangible metrics" such as contract renewal rates, margin retention and revenue growth potential. Ingledew at Standard Life has a "customer scorecard" made up of four aspects: number of customers, customer value, customer experience determined according to the number of complaints and the organisation's customer effort score (a measure of the effort customers exert to get their problems solved) - and customer advocacy (measured using Net Promoter).

of Standard Life's UK board each

month, and to the group board each quarter. Traditionally these performance reviews would focus just on the financials - revenues, costs, profits etc. "But now the customer metrics are part of that as well." Just as it should be, he says.

"To be talking about improving the business; to be keeping more of people's money with us rather than see it go elsewhere... That's actually quite a hollow discussion if you can't talk about why people would move their money, what their motivations are, what they're trying to achieve and whether we can help them do it," says Ingledew. "It all relates back to customer need. Having a customer mindset is just as important, really, to a finance director, the IT director and the HR director as it is for the people who work for me in the marketing and customer division."











to get everybody thinking 'customer first' – is probably the single biggest challenge facing those tasked with delivering the customer experience agenda. But achieving culture change is the difference between success and failure.

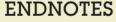
At both Virgin Media and DHL Supply Chain, metrics like customer loyalty and NPS now factor into remuneration and bonuses. Such steps are important to take, says Bruce Temkin, a former Forrester analyst. Temkin now heads-up his own consultancy, Temkin Group, and is co-founder of the Customer Experience Professionals Association (cxpa.org). He's written a white paper, *The Six Laws of Customer Experience* (see p6), one of which is: "Employees do what is measured, incented and celebrated".

In most cases, delivering great customer experience is not recognised and rewarded. "Organisations often hone their measurements, incentives and celebrations to achieve short-term growth and profitability targets," says Temkin. But improving customer experience is anything but a short-term goal. It requires deep customer understanding, a team or a person willing to champion it (see The rise of the chief customer officer, p12), a culture that's willing to embrace it. and employees who are engaged enough to deliver it. And it requires ongoing commitment. The goal posts are always shifting. What 'fantastic' looks like today might be very different tomorrow. And companies are not just competing within their own verticals - they are competing across the board.

"Customers are not just comparing their experience with us to that of other financial services organisations," Standard Life's Ingledew explains. "They are comparing us against the experience they have with brands like Apple or John Lewis. These other brands are setting the bar for the standards that they are expecting."

There's a social change taking place, Ingledew says. Customers are much more empowered now. "We're used to them being passive in the way they've engaged with us, but now they are much more proactive, more demanding. They are speaking up and saying what's not acceptable. There's a demand for better engagement, greater transparency and more simplicity.

"Underpinning all of that is the way our personal lives, our work lives and our consumer lives have been changed by technology. The boundaries between the physical and the digital have broken down," says Ingledew. Expectations are shifting – and companies need to start running just to keep up. In today's world, experience is everything.



# Quadrangle's Phil Rance rounds off this special report with some final food for thought

The reason you measure customer experience is to improve it. Specifically, it's to get customers to stay with you and to say good things about you. Get this right and, over time, it (a) increases satisfaction, advocacy and sales; and (b) reduces cost to acquire, cost to serve, and churn. That's a seriously big prize.

But the complexities of competitive, multi-channel, multi-touchpoint markets mean you're unlikely to achieve this without a system for measuring customer experience (CEX) that is designed to help you improve it. Drawing on our experience and our discussions with world-class practitioners like Apple Retail, here are six thoughts to guide the design of such a system:

There are always two dynamics at play in CEX: the stuff that adds to a customer's experience; and the stuff that degrades it. These aren't the same and you can't lump them together to create a nice, neat continuum from 'very good' to 'very bad'. You have to identify, measure and, ultimately, deal with the things that add to and degrade customer experience separately, if you're to make real progress.

The data that CEX provides needs to be capable of guiding action: unfortunately, this is not a statement of the blindingly obvious. It has far-reaching implications for what you measure – first, understand what matters to your customers, then focus on this obsessively – and for the design of feedback: data has to flow to the people in the business who can impact it; and they then need to have the authority to act on it.

**CEX metrics should be connected to transactional data:** not just sales, but other data such as loyalty, cost to serve, failures or errors.

That's because you need to be able to relate back what customers say in CEX surveys to what they do in reality. Ideally, this would be through the lens of a segmented view of customers, to create a joined-up picture of customer experience and customer value for each segment.

'Off-the-peg' never works for measuring CEX – think unique and bespoke: the design, content (what matters to our customers) and usage of an effective CEX system needs to be brand/business specific. The questions you ask, the depth and frequency with which you ask them, the arrangements for distributing and using CEX data, and so on... all need to be bespoke to you.

The most important factor in measuring CEX is that it's aligned with operations: that is, the part(s) of the business that deliver on what CEX measures throughout the customer journey – across all channels and for all touch points. The two primary aspects of alignment are (a) a shared understanding of what matters to customers in delivery; and (b) a common set of customer-centred KPIs and targets.

The future of CEX is in technology-led data collection and reporting platforms: we're right to get excited about the new capabilities these create. But please remember that these platforms merely dial up the mission-critical importance of getting the design right of the underlying CEX system that powers them.

Phil Rance is corporate development director at Quadrangle

