

The Importance of the Customer Experience in a Down Economy

International Thought Leader Report

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Peter Lavers, Publisher
Customer Futures

John I. Todor, Ph.D. & William D. Todor, Ph.D., Editors
The Whetstone Edge, LLC

International Thought Leader Report brought to you by Customer Futures,
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Customer Futures is an international members-based network of learning groups focused on the design and delivery of a competitive and profitable Customer Experience. The company is in the OgilvyOne Worldwide Group, and the concept has been tried and tested worldwide since 1995.

Local Learning Forums consist of small groups of non-competing businesses, meeting quarterly to address members' priority agendas. The Forums feature thought-leading international speakers and local member case-history experiences, and encourage open discussion to deliver learning, insight and experience in the field of Customer Experience Management (CEM).

They are coordinated by local market Facilitators and supported by a central Customer Futures team, an interactive website and online global community.

The Importance of the Customer Experience in a Down Economy

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A Note from the Publisher

I commissioned this International Thought Leader Report because I share a major concern that many Customer Futures members have expressed: that businesses around the world are in danger of losing their customer focus in the current down-turn.

Much progress has been made in recent years, across geographies and business sectors, to liberate businesses from their “silod” way of working - mini-empires of Product A, Brand B, Sales, Service, Marketing, IT, “CRM”, etc.

Taking the “outside-in” strategic approach of optimising the customer experience enables the different functions within businesses to join forces in pursuit of a common aim (no Annual Reports state that the company endeavors to give a bad customer experience!). This approach takes the focus away from price and enhances customer value (two-way). In short, it is a business strategy that is essential to competitive differentiation, sustainable profits and growth.

However, almost no businesses in the World have their budgets fully aligned their customer journeys and lifecycles. On the contrary, budgets tend to mirror the ‘old’ silod way of working, and finance teams simply don’t have a mechanism available to view departmental accounts through a customer-focused lens. Thus the risk of the customer being ignored when tough decisions are made is compounded.

So, how can business leaders be helped to make the right tough decisions (nobody is denying they’re necessary)? How can the CFO be persuaded to take a different approach to reducing costs?

In this free publication, eighteen international thought leading contributors weigh in. They make the case that a focus on the customer is not a fair weather endeavour, but rather an essential competitive strategy that is especially important in a down economy.

Find the answers to how the down economy will impact what customers’ value and how they make decisions. And find out what businesses should be doing to about it.

I would like to thank and recognize our Contributors, real ‘heavyweight’ experts in this field who have contributed freely because they are also passionate about customers; our Editor John Todor of The Whetstone Edge in California for pulling it together so well; and of course our Customer Futures Members, who come from blue-chip companies around the world and are living with and managing these issues on a daily basis.

Peter Lavers, Publisher

Customer Futures—an OgilvyOne Worldwide Group Company

Executive Summary

Eighteen international contributors were asked to independently address a critical issue facing businesses today: *The Importance of the Customer Experience in a Down Economy*. Each contribution offers expert insights, observations and advice and when looked at as a whole reveal five seminal themes that will help business leaders succeed in these difficult times:

- What customers are experiencing, why it matters and what to do about it
- Leadership and strategy in troubled times
- Economics that justify a customer-focused strategy
- Delivering more with less
- Employees: stressed but so essential

We are involved in a worldwide economic crisis and a prolonged recession looms in our future. Business as usual is not a viable option; companies must take action. But action to what end? Coping or Thriving?

The Chinese term *wei gee* expresses the dual nature of a crisis. One aspect is danger, the other is opportunity. Businesses can either react to the danger or seize the opportunity. The reactive approach of hunkering down to ride out the storm, has a focus on efficiency and conservation of resources. Yet, as Jan Hofmeyr states, "*Businesses are under pressure in recessions because their customers are under pressure.*"

There are two compelling reasons why customers cannot be left out of the equation:

- Customers are experiencing anxiety, stress and uncertainty and this dramatically alters what they value, what they find meaningful and how they make purchase decisions. They have a reduced sense of control over their lives.
- Customers have gained equal footing with businesses, are now, some say, have the upper hand when it comes to business transactions. Social media, an open, cooperative conversation, enables people to share insights and opportunities and help each other make decisions and make sense. This has enhanced the customer's position. Businesses must now deliver what customers value or be forced to compete on price and convenience.

An important starting point is the concept of *the customer experience*. Proponents argue that it is the pre-eminent competitive differentiator, an essential component in building sustainable and profitable relationships with customers. What is the customer experience?

Jim Barnes provides an extremely valuable framework that distinguishes between four aspects of the customer experience: Processes, People, Performance and Possibilities. All too often, initiatives designed to enhance the customer experience are narrowly focused on one of the four and miss out on the opportunity to fully engage customers. Or the tacit definition of the customer experience is vague and does not lead to clear and actionable steps. In addition to defining the underlying premise of each aspect, Jim illustrates how each is impacted by current economic conditions, and how that leads to actions that will lead to competitive differentiation.

Lauree Vallery reports on just completed research on how customers and businesses view the recession. The main conclusion: *“There is an alarming lack of alignment between customer emotional expectations and corporate action plans that can only result in frustration and growing distrust by customers.”* This sets an important tone from which to view the papers in this publication.

What Customers are Experiencing, Why it Matters and What to Do About It

A number of authors look at how current economic uncertainty is impacting customers emotionally, psychologically and in their buying behavior. These insights provide a critical foundation for defining actions that businesses can take to align themselves with what customers now value and find meaningful.

Jeanne Bliss emphatically states that *“NOW is the time to seek out the intangible opportunities to soothe the savaged consumer soul,”* and prescribes eight ways businesses can refocus their resources and energies. John and Bill Todor present a psycho-economic view of how customers are responding to financial turmoil. They describe two mutually exclusive mindsets: one that is focused on price, the other that seeks to regain a sense of control and to optimize experiential value.

John Turnbull makes a case that the emotional aspect of the customer experience is both a motivator for customers and a source of competitive differentiation for the business. Yet, most businesses focus on the functional or rational aspects of the customer experience. Turnbull makes the distinction clear and actionable.

When consumer confidence drops it affects customer trust and the openness to entertain a company’s value proposition. Shari Swan presents an interesting metaphor that turns the concept of the value proposition on its head. The metaphor is *“50 Feet From Me.”* The gist is, *“as simple as it is human: brands that survive through the economic turbulence will be the brands that enter the consumer’s personal and intimate*

space.” This is where the customer experience takes place. Marco Bevolo complements Swan’s approach by describing what’s involved in “People-centric Ambient Design.” His case study focuses on high-end healthcare but he makes it clear that the principles are applicable to most other businesses. His main point, *“for those offering ‘true’ premium value designed around people, this consumption crisis might actually turn out as an element of competitive advantage.”*

Eliminate “dumb contacts” is Bill Price’s mantra. He emphasizes that stress in customers makes them more likely to switch allegiances from companies that exacerbate it. Stressed employees increase the likelihood that this will happen. Price’s advice: identify and eliminate “dumb contacts,” customer interactions that add no value to either party.

Leadership and Strategy in Troubled Times

Few have been confronted with the management challenges brought on by the current economic meltdown. Several authors offer thought provoking and sage advice on navigating these unknown waters.

Jim Lucas discusses seven manageable business paradoxes that confront all businesses but are especially challenging in troubled times. Follow Lucas’s advice and you will *“learn how to convert stress into positive energy, confusion into an opportunity to learn, and insecurity into a challenge to grow.”*

Graham Hill asks, *“Are you planning to beat the recession?”* Then, presents “Six Rules for Recessionaires” that will help business get beyond coping and promote thriving. Hill’s insights are based on understanding a value equation approach that helps determine which customers are of most value and how they create profits for the company. Armed with this information a business can determine which activities to invest in, which ones to maintain, and which to cut back.

When economic conditions sour, a popular adage is, “Hang onto your existing customers, especially your best customers.” Loyalty schemes, retention strategies, defining customer value and what customers’ value are often poorly spelled out, and this can lead to mixed results. Merlin Stone brings his academic rigor and business experience to bear on the issues and offers wisdom, insights and advice about how to sustain relationships with higher-value customers.

Rory Sutherland provides a primer on behavior economics—the science that delineates what customers really value and what they will pay for. This is particularly relevant when budgets are tight. The principles enable you to *“create a lot of perceived value at not much cost. And the obverse? It’s perfectly possible to spend a fortune without creating value.”*

Economics that Justify a Customer-focused Strategy

Once you are convinced that a focus on the customer experience in a down economy makes sound strategic sense, there is still the task of convincing the people who control the purse strings.

Bob Thompson shares insights from CustomerThink's 2008 research on customer-centric champions. While Thompson argues that there is good evidence that a focus on the customer experience improves profitability, he also points out that most companies have tremendous room for improvement. He spells out three strategies *"to make customer experiences relevant while delivering a solid benefit to the enterprise."*

With each new piece of depressing economic news, proponents of cost-cutting and "efficiency" are gaining momentum and according to Colin Shaw, it is often at the expense of the customer. His advice is to increase your commitment to the customer experience and he gives two important reasons. One, customer experience initiatives can save money and increase revenues. Two, it will lead to greater competitive differentiation from competitors who take the conservative cost-cutting approach.

How to Deliver More with Less

Companies will have to figure how to allocate increasingly scarce resources. Sampson Lee, Jan Hofmeyr and Lynn Hunsaker weigh in on how to deliver more for less.

Lee emphasizes that conventional cost-cutting most often undermines customer satisfaction, brand loyalty and sales. He makes a case for an alternative—a focus on effectiveness. He provides three principles that will lead to more effective customer experiences. As his examples illustrate, these principles can reduce spending and contribute to competitive differentiation.

Jan Hofmeyr isn't afraid to face the reality: *"People spend less in recessions."* This means companies must control their spending as well. Hofmeyr offers four practical tips on how to accomplish this without losing customers. At the heart of these tips is the premise that *"the more committed a service provider's customers are, the better positioned that business should be to survive a downturn."*

Lynn Hunsaker believes significant improvements in customer relationships can be made on a shoestring. Drawing on her experience as a corporate executive Lynn spots seemingly hidden opportunities to *"better align offerings and ways-of-doing-business in ways that matter to customers and are hard for competitors to copy."* In her paper she shares six of these hidden opportunities.

Reducing Employee Stress and Sharpening Their Focus

Jim Barnes is blunt and emphatic when it comes to employees, stating that, *“Employees are quite simply, the custodians of the customer experience. This is why the Human Resources departments should arguably be the most influential player in a firm’s customer experience strategy.”*

A number of the authors point out that employees are also experiencing the recession, and this has dire consequences. They face rising prices and dramatically declining personal finances. They worry about lay-offs and are often confronted with a more demanding workload. Employee stress is important because it has a direct and negative impact on the customer experience.

Jenny Belser and Naras Eechambadi’s paper, *The Way to Your Customer’s Heart is Through Your Employees*, lays out the issues. Employees are a prime source for insight into improving the customer experience, but they must feel secure. Employees need recognition and reassurance. Belser and Eechambadi encourage business leaders to take the right steps to ensure these issues are addressed. As they point out, it will take time and resources, but will pay big dividends.

According to Graham Hill, *“The recession is probably going to be with us until 2010, so it makes sense to do a proper due diligence before setting out to beat the recession.”* Our advice is to take this perspective into consideration as you read this publication.

Please feel free to share this publication with colleagues and clients.

John I. Todor and William D. Todor, Editors

Join the Debate

We hope that you find this report thought provoking, optimistic, energizing and actionable. We also expect that reading the report will raise questions, concerns, new insights and possibilities. All of these are powerful steps towards facing the challenges of a new business climate.

We invite you to share, discuss and learn through an ongoing dialogue with the contributors and a worldwide community of concerned and proactive business leaders like yourself. Join us at:

www.customerfutures.com/downeconomypublication

Table of Contents

Introduction: Peter Lavers	ii
Executive Summary	iii
Customer Experience	1
<i>More Important Than Ever in Tough Times</i> James G. Barnes, Ph.D., Canada	
When Will They Buy Again?	5
<i>How Canadians Experience a Tough Economy</i> Lauree Vallery, Canada	
Soothing the Savaged Consumer Soul	9
<i>Customer Love When Times Are Tough</i> Jeanne Bliss, USA	
Customer Psycho-Economics in a Down Economy	13
John I. Todor, Ph.D. and William D. Todor, Ph.D., USA	
Customer Experience and the Human Touch	17
John Turnbull, Australia	
50 Feet From Me: Penetrating the Consumer's Trust Circle	21
Shari Swan, The Netherlands	
People-centric Ambient Design and High-end Healthcare	25
Marco Bevolo, The Netherlands	
The Perfect Time to Reinvest in Process and People	29
Bill Price, USA	
Using the Power of Passion to Exploit Tough Times and Win New Customers	33
James R. Lucas, Ph.D., USA	
Let the Value Equation Guide You Through the Recession	37
Graham Hill, Ph.D., Germany	
From Product to Experience; From Price to Exchange	41
Rory Sutherland, UK	
Customer Retention: Definitions and Data to the Fore	45
Merlin Stone, UK	

Building the Case for Customer-Centricity <i>How to Make Your Customers and the CFO Happy</i> Bob Thompson, USA	49
Proving the Customer Experience Saves Money Colin Shaw, UK	53
Deliver More With Less Sampson Lee, China	57
Some Practical Tips to Save Money Without Losing Customers Jan Hofmeyr, Ph.D., South Africa	61
CEM on a Shoestring Lynn Hunsaker, USA	65
The Way to Your Customer's Heart is Through Your Employees Jenny Belser and Naras Eechambadi, Ph.D., USA	69
Customer Futures Groups	73

Customer Experience

More Important Than Ever in Tough Times

James G. Barnes, Ph.D., Canada

I have developed a view of how customers view their experiences at the hands of businesses. My framework of customer experience may uncreatively be labeled the 4P's of customer experience—not to be confused with a time-worn and now largely seen as inadequate conceptualization of Marketing. My 4P's represent a progression in how customers view their interactions with businesses and other organizations, based on what I have learned from customers themselves. Each of these has implications for the current market situation and can guide companies in developing a proactive response.

If customer experience is a viable differentiation strategy in good times, it is doubly so today. At a time when most firms will naturally gravitate toward a strategy of cutting back, hunkering down and laying off—because that's what one is expected to do in hard times—this is a wonderful time for those who truly understand the potential of the customer experience to rise to the occasion.

If customer experience is a viable differentiation strategy in good times, it is doubly so today.

But I see three problems with the application of customer experience as a component of customer strategy:

- (1) it is an extremely difficult concept to nail down because, like value, quality, service and relationships, it exists principally in the mind of the customer;
- (2) it is poorly understood, as are most of the others, given at best superficial thought by most managers and conceptualized in exceedingly narrow terms;
- (3) as has been the case with our recent passion with customer relationships, few managers approach customer experience from the perspective of the customer.

In well over 30 years of surveying thousands of customers on both sides of the Atlantic, I have developed a framework of how customers view their experiences at the hands of businesses. It may uncreatively be labeled the 4P's of customer experience—not to be confused with a time-worn and now largely seen as inadequate conceptualization of Marketing. My 4P's represent a progression in how customers view their interactions with businesses and other organizations, based on what I have learned from customers themselves.

Processes

At its most fundamental level, customer experience may be viewed as the result of certain PROCESSES that the firm has in place to deal with its

customers. This is the view that most managers bring to discussions of customer experience and the definition that is most often written about. It is essentially a point-of-sale and contact-center view: how quickly do we answer their calls? how long do they have to wait? do we resolve complaints quickly? Essentially, how easy and convenient do we make it for customers to deal with us? This is a very functional, procedural view of customer experience, dealing with what most customers would consider table stakes.

This is also the view that many firms bring to measuring their delivery of customer experience, because these are the most easily measured components of the experience. These represent the backbone of the customer experience. If we fail to deliver on these fundamentals then we can wave goodbye to any hope of creating memorable or meaningful experiences. They are also the elements of the experience that are most vulnerable in the face of cutbacks, because customers will notice immediately when there are fewer employees to serve them, when service is noticeably slower, and when they can't get through to your help desk.

Processes are a very functional, procedural view of customer experience, dealing with what most customers would consider table stakes.

People

The second stage of our conceptualization of customer experience involves PEOPLE. Most customer-centric organizations will readily acknowledge that a central component of customer experience is the interaction that customers have with the firm's employees. I can confirm that most memorable (both positive and negative) customer experiences that I have heard about in countless focus groups and depth interviews involved interaction with staff.

Employees are, quite simply, the custodians of the customer experience. This is why the Human Resources department should arguably be the most influential player in a firm's customer experience strategy. It is also why a company will cut back on its staff in tough times at its peril. Customers will notice and will miss those employees who have been laid off, let alone finding it more difficult to get served. There are internal repercussions as well, as layoffs inevitably trigger employee uncertainty and decreased morale and these get translated into poor service. For the same reasons, this is no time to cut back on training and employee incentives.

Performance

Tough economic times are no time to renege on promises or to leave customers in the lurch, feeling you have let them down—you are going to need them when things start to turn up again and they have long memories. This is why we need to focus on the PERFORMANCE component of the customer experience. The prevailing limited view of the customer

experience, focused as it is on customer interaction, fails to acknowledge that the customer's experience continues long after he or she leave the store. In some industries, the customer is left to his or her own devices in determining how to use the product or service or to get the greatest value from it.

Recognizing that the customer's experience does not only involve direct interaction with the firm should spark some discussion of how we can enhance the customer's ongoing enjoyment and perceived value of what we have sold him or her. Access to toll-free customer advice and occasional keep-in-touch calls with suggestions for improving value perception will be doubly appreciated in difficult times when many companies will be abandoning their customers.

Possibilities

Finally, let's turn to what I consider the greatest potential of the customer experience concept; the view that deals with POSSIBILITIES. Let's think creatively about the experiences that companies can create, enable and make possible for their customers. The most creative companies do things that their competitors do not do; they "behave" differently. They recognize implicitly that customers are trying to get things done and deliver solutions to help them along the way. I'm thinking of the camera store that organizes classes and field trips to teach its customers to take photographs that get a "You took that?" response from friends or the food distribution company that helps the food service director of a seniors' home "make dinner interesting" for her residents.

In difficult times, customers are likely to be especially appreciative of initiatives that are surprising and that are genuinely helpful. Companies should be looking for opportunities to impress, empowering their employees to step into a situation to make things easier for a customer. My research confirms that customers are most impressed with the experiences that they were not expecting. These spark conversations and storytelling — "you'll never believe what ____did for me this week." Whenever you can leave a customer with "one less thing to worry about", you have a winner.

Most customers, when facing uncertain economic times, will want to deal with companies they can trust and on which they can rely; those that seem to have their interests genuinely at heart. Experiences must engender those feelings. This makes solid business sense in "normal" times, and is even more important today.

This is no time to skimp on the customer experience. The rush in many firms will be to downsize, to strip costs out of the organization, to hunker down. But, the result of such actions is often to leave the firm vulnerable

*In some industries,
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because it is unable to deliver solid customer experiences at precisely the time when they will have the greatest impact. Now is the time to invest in customer experience, to expand the firm's view and to look for opportunities to create experiences that customers will remember when good times return.

James G. Barnes, Ph.D.

Barnes Marketing Associates Inc.

James G. Barnes is Principal of Barnes Marketing Associates Inc a customer strategy consultancy based in Canada. He is a specialist in the application of customer insight to the development of customer relationship and customer experience strategy. Jim holds an MBA from the Harvard Business School and a PhD in Marketing from the University of Toronto. He has been Professor of Marketing at Memorial University since 1968 and has served as visiting professor at universities in many countries. He was a founding partner and former Chairman of Bristol Group, a leading Canadian marketing services firm. He has served as consultant to many international clients, including IKEA, Tesco plc, Kraft Foods, Royal Bank of Canada, Xerox, Eli Lilly-Elanco, Ivanhoe Cambridge, Bell Aliant, Roche Pharmaceuticals, Starwood Hotels, HSBC, and Johnson Insurance. Jim has written eight books, the most recent of which is Build Your Customer Strategy, published by John Wiley & Sons. He received a Leaders in Management Education award from the Financial Post in Canada and is a Fellow of the Market Research and Intelligence Association. He regularly delivers keynote talks, seminars and management workshops around the world. He is a contributor to customerthink.com.

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When Will They Buy Again?

How Canadians Experience a Tough Economy

Lauree Vallery, Canada

The economy is an issue at the forefront of Canadian politics and public concern. Early indications show that Canada has avoided some of the economic pitfalls plaguing the United States. This article is based on recent research by our firm. The study focuses on customer expectations in light of these uncertain times, and how top Canadian retailers, financial service trendsetters and innovators are planning to address customer concerns. The paper will discuss: how do Canadians' concerns about the economy affect their behaviour as consumers, how will companies address these customer concerns, and are both management and customers looking at these issues from the same perspective?

All agree that there is a high level of concern, uncertainty and nervousness with customers (61.5%) that is also felt by corporate leaders (51.6%).

Despite years of strong growth and prosperity fuelled by the unbridled consumption of our powerful North American neighbour, Canadians are now stuck in a world of confusion. With no domestic recession, stable banks and healthy employment levels, the economic threat looming over Canada seems to languish in indecision, and Canadians are paralyzed into inaction by the gloomy US spillover news. Without optimism and innovation, this consumer caution is driving down purchasing and eroding experience vitality.

The worry about the economy forces everything into a 'wait and see' view of the future. Canadian consumers have not stopped purchasing altogether, but have developed a more cautious approach to their consumer behaviour, which makes the dialogue between customers and service leaders more essential than ever before. Inactivity, cutbacks and lack of communication can be the catalyst to a full-blown Canadian recession.

How the Economy Will Impact Consumers

A recent study conducted by Experience Renewal Solutions (a Canadian customer experience measurement and management leader) in partnership with Hotsplex (an innovative online marketing research firm) examined how Canadians' concerns about the economy will impact their behaviours and their relationships with those companies they have historically trusted. Insights were gathered from both consumers and customer experience leaders. All participants were asked to gauge their emotional reactions to the economy and rank/suggest the tactics they were planning to implement.

All agree that there is a high level of concern, uncertainty and nervousness with customers (61.5%) that is also felt by corporate leaders (51.6%).

Customers in the Experience Renewal Solutions study indicated that they had delayed or postponed major expenditures and plan to reduce their daily/weekly costs. They are looking for help and are expecting assurances, great value, solutions, ideas and action from Canadian corporate leaders. Instead, they are settling for exploitive off-pricing, alarmist communications and non-productive inertia while waiting for global signs of hope. Little wonder that they characterize their mood as fearful, resentful, angry and abandoned.

Top Five Plan of Corporate Leaders

At the same time, Canadian corporate leaders believe that caution is the best strategy and are using their resources to build a future platform for better times. The Top 5 plans mentioned most frequently include:

- Evolving established strengths
- Revitalizing brand and image
- Training and incenting staff to maintain current relationships
- Developing actionable customer experience research
- Forming alliances and partnerships with innovative, differentiated leaders

The alarming lack of alignment between customer emotional expectations and corporate action plans can only result in frustration and a growing distrust culminating in a delayed recovery and return to profitability. Survival may depend on urgent programs that energize customers to believe that they are valued by those businesses they have patronized in better times.

So, What to Do in These Uncertain Times?

1. Don't be nervous and don't wait for the future to unfold! Customers still need and crave things of value—be ready with renewed sophistication to meet them enthusiastically.
2. Take advantage of current experience renewal strategies to build the customer-centric change that many organizations have wanted but have found difficult to achieve while chasing economic growth. Some plans may need to be tweaked or evolved to meet changing demands, but the fundamentals of customer care prevail in good times and bad.
3. Look to the all-knowing consumer to guide the way—use the time to truly study and learn from customer behavioural studies and advanced comparative techniques which provide high value clues to what customers really want and need:

The alarming lack of alignment between customer emotional expectations and corporate action plans can only result in frustration and a growing distrust...

- Make things interesting, effortless and comfortable
- Appreciate and reward loyal relationships
- Provide true value for money—not just cheaper products
- Inspire with innovative solutions to wellness, sustainability and a less consumptive society

As the great Canadian hockey star Wayne Gretzky so wisely noted, “A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.”

Business leaders, Canadians will buy again when they know you have the solutions to add true value to their lives. Look for customer experience solutions for the future, and you will never get caught in the past.

Refresh...Renew...Rejoice!

Lauree Vallery

Experience Renewal Solutions

Lauree is recognized as a Canadian customer experience thought leader and has been a keynote speaker at a number of Canadian/International forums

Lauree began her career in Public Relations with Canada News-Wire, then moved to packaged goods marketing with Playtex before beginning her banking career at CIBC where she led the re-branding and re-merchandising of their branch network, worked on the development of branch diversion strategies and finally served as the leader of the Customer Management team that created President's Choice Financial, responsible for the deployment of the in-store pavilion sales forces and Fresh Financial Thinking Marketing programs.

In 1999 Lauree joined Mosaic Sales Solutions to develop and manage their retail and financial services businesses in Canada. Her work with Bell World guided the construction and merchandising implementation of their new wireless store concepts. She also led teams that developed the CIBC Retail University training curriculum, Ryerson Retail Management Coaching Program, Charles Schwab Branch Program and the TD/Wal-Mart In-Store Personal Navigator program.

In May of 2002 Lauree moved to Dallas, Texas to work with Mosaic's large retail and financial services clients (MBNA, American Express, Best Buy) across North America to develop innovative, customer-centric solutions to unique business needs.

Upon returning to Canada in 2004, Lauree worked with like-minded customer experience thought leaders to form Experience Renewal Solutions with the goal of providing retail customer experience measurement and management for retailers, banks and service companies. ERS' clients today represent the top level of experience leaders in Canada: Bell, Canada Post, Canadian Tire/CTFS, Cara Restaurants, Loblaws, President's Choice Financial, Rogers, Smucker's, TD Canada Trust (branch and e.Bank), Virgin Mobile and more.

Soothing the Savaged Consumer Soul

Customer Love When Times Are Tough

Jeanne Bliss, USA

In these economic times, when our nerves are raw and we are stretched like a rubber band ready to snap... we all need a kinder hand, a kinder voice... just plain more kindness in our life. Customer experiences that were okay in the past can aggravate customers and push them away. If you are in the business of serving customers, right NOW is the time to seek out the intangible opportunities to soothe the savaged consumer soul. Here are ideas that will bring you dividends in rising above the fray and in soothing the frayed nerves during this time of spending woe.

If you are in the business of serving customers, right NOW is the time to seek out the intangible opportunities to soothe the savaged consumer soul.

Become Wizards at Alternative Solutions

Creative solutions that help your customers cope and manage with the current financial pinch will be long remembered. Coach your frontline how to hold a diagnostic conversation to understand the financial implications of the current market with customers. And reach out to customers proactively, especially if service contracts or annual commitments are due. In this economy, customers are more likely to opt out and disappear. If you show up proactively with a helping hand, empathetic approach and creative options prior to this decision, you can save business and build allies. You will stand out as a partner in supporting your customers from their point-of-view.

Listen; Then Repeat

Eight out of ten phone calls, retail interactions and service calls begin with prescribing a solution to a customer before the customer need is really listened to, understood and validated. This is a time when customers will want to vent. Let them. Then repeat back to the customer what they said. Because not only do we need to vent right now, we need validation. That times are tough, that prices are high, and that we're in pain. Repeating the reason a customer walked in the store, called your number or emailed your 'contact us' contact will take you to a level that is just not being received today...which is internalizing what the customer needs and using that knowledge to drive an outcome that is right for them.

Practice Wild Empathy

The ability to empathize, and to put ourselves in our customers' shoes so we understand what they are going through - tests the humanity of our organizations. Especially NOW when times are tough. Bring groups of people together in clusters of twenty-thirty and have them identify the top 10 customer frustrations that are occurring right now. Identify which have

emerged recently. And discuss how customers are responding and coping with challenges. Giving people permission and good examples for how to empathize will provide not only comfort to customers who receive it, but also to your employees who are feeling the pinch themselves. The humanity and humility that comes with acknowledging this condition will bring you closer to your employees and customers.

Deliver Small Heroic Acts of Kindness

Small kindnesses will go a long way right now. We are all so fatigued from walking away empty-walleted, that small gestures will really stand out. Zane's cycles, a bicycle shop in Connecticut sells \$15 million a year from a single shop. They give away any item that a customer is in a panic about finding (read: link that will fix a broken chain) that costs under a dollar. Think Dad with a 10 year old whose bike is broken; one stop at Zane's and they save the day – WITHOUT charging anything. These small heroics that send customers away shaking their head in amazement. What can YOU do?

Small kindnesses will go a long way right now. We are all so fatigued from walking away empty-walleted, that small gestures will really stand out.

Find your Best Customers. LOVE THEM!

Your best customers, whether you call them Promoters from how they rank you or are your highest value from how you rank them...if they are hanging in there with you...they deserve all the love you can give. First, let them know that you're glad they're sticking around. Then reach out to them. Are you developing new products or services? Bring a group of your best customers in for an evening of food and feedback. Perhaps you can send them a letter acknowledging that you value your relationship with them and offer an extra service. One company I work with has different executives involved in outbound calling their best customers each month. The impact of this simple personal and humane contact lets your customers know that you care about them and are reaching out to help. THAT in itself will set you apart!

Play Defensive-End for the Front Line

Your people at the front who are working directly with customers are likely feeling two things right now: their personal pain in the wallet and the pain of their customers. NOW especially is the time to come up with uncommon acts of kindness for them. Create a monthly casual conversation with your front line so they can tell you what they are hearing and where they are perhaps being beat up a little by beleaguered customers. Rotate in 10-20 per month so everybody has a time to vent and have a bit of cheerleading. Host something fun once a month...bring in lunch, host a karaoke night. Most importantly LISTEN to what they have to say. Make a list of the biggest issues customers are having that they have heard and work to systematically cross items off the list.

Hire Those with Dash and Daring

Indications are that this financial crunch will take some time to recover. Profile the type of person who will thrive with customers in this type of economic environment; listeners, creative thinkers and naturally service oriented people for those serving and interacting with customers. Hire for passion and the natural ability to empathize. Find leaders who find the glass half-full and can motivate creativity and inspire creative solutions. While these skills are always desired, if you want to emerge above the rest, they are a necessity when times are tough. Amy's Ice Cream, a beloved place in Austin Texas actually has their applicants make a creation out of a white paper bag instead of filling out a boilerplate application form. What can you do differently in the interview to make sure you've got a match for the job?

Customers' nerves are raw. Nearly every interaction tests them now. Become the company that steps up with kindness, action and empathy during these times.

Call Customers Who Have Left You!

This is the time when acts of heroism for consumers and business accounts WILL NOT go unnoticed. So reach into your customer database and identify some customers who have left you. Then reach out to them. But before you do, build some creative financing and service options for them. When you call, first apologize. Then listen. Asking why a customer left and then really listening and repeating back the reason is extremely powerful...and yet FEW DO THIS! Finally ask to be given another chance and then offer your new creative finance and pricing options. One financial services company we did this with ultimately got back 35% of customers who had departed. Just the shock value that you realized they were gone and cared enough to ask "what happened" will set you apart from the rest!

Customers' nerves are raw. Nearly every interaction tests them now. Become the company that steps up with kindness, action and empathy during these times. Just like a good friend who's there when the going gets rough—choose to be that kind of company. Choose to show up as those kinds of people. Customers WILL remember. Your kindness and actions will pay dividends in business, goodwill and word-of-mouth.

Jeanne Bliss
Customer Bliss

Jeanne Bliss is the author of “Chief Customer Officer: Getting Past Lip Service to Passionate Action.” As “Chief Customer Zealot” for five US market leaders; Jeanne Bliss has fought valiantly to get “customer” a place on the strategic agenda; redirecting priorities and creating transformational changes to the brands’ customer experience. She has led the achievement of 95% loyalty rates, changed customer experiences across 50,000 person organizations.

Jeanne has been at the apex of remarkable customer creations, and has driven achievements inside large corporate machines. Jeanne developed her passion for the customer at Lands’ End, Inc. where she reported to the company’s Founder as leader for the Lands’ End Customer Experience. She served Allstate Corporation as their Officer for Customer Satisfaction & Retention. Jeanne was Vice President of Franchise Services for Coldwell Banker Corporation. She was Microsoft Corporation’s General Manager of Worldwide Customer & Partner Loyalty. At Mazda Corporation, Jeanne initiated the brands’ retention effort as Senior Manager, Customer Satisfaction.

Jeanne is President of Customer Bliss, where she coaches leaders on how to wrap their company’s focus around customer profits. She is a world-wide keynote speaker helping companies focus on customers and making customers the asset of their business.

Customer Psycho-Economics in a Down Economy

John I. Todor, Ph.D. and William D. Todor, Ph.D., USA

Stress, confusion, uncertainty and even fear—these emotions are surging in customers because of the economic crisis. Customers feel they have less control over their financial well-being. To cope, they turn to one of two mutually exclusive psycho-economic mindsets. One is a hoarding, a “ride out the storm” mentality characterized by reduced spending and a heightened focus on price. The other seeks relationships with companies that engage them in a process of regaining a sense of control. The customer experience, real or perceived, determines which mindset comes into play. Which one is your business courting?

In stressful times, a powerful strategy is to use customer emotional and psychological engagement to reduce anxiety.

Companies competing on price and convenience must be the most cost-efficient to eke out a profit. The battle is between competitors that in essence bid against each other to win customers' business. Profitability using this approach, difficult under normal circumstances, is especially tenuous in an economic downturn when some competitors feel their survival is on the line. Customers defer non-essential purchases and brand equity is replaced by cost driven indifference. If this remotely sounds like your situation, start looking for ways to decommo-ditize your value proposition.

Focus on Winning Mindshare

An effective way to induce decommo-ditization is to focus on winning mindshare. This is a process of creating differentiation that enhances value from the customer's perspective. The key to winning mindshare is getting customers to shift their value perspective from price to a broader experiential view. In stressful times, a powerful strategy is to use customer emotional and psychological engagement to reduce anxiety and stress generated by uncertainty. This engagement has two desirable outcomes. One, it enables the customer to address challenges more successfully and achieve a better experiential outcome. Second, the process restores a sense of control over external events. These emotionally rewarding outcomes contribute to desire, creating demand and commitment to vendors facilitating the process. It also takes the focus off of price.

Engagement requires more than telling or showing something to the customer. Trust in a product does not translate into trust in a relationship. This trust is earned from interactions and consequences and does not come from offers or discounts. To achieve relationship trust, companies must deliberately shift the focus of customer relationships from selling things, to the issues and challenges confronting customers. Customers have to become emotionally and psychologically engaged. And, in so doing, they must discover new ways to extract value that is meaningful

to them. This represents a psychological growth in the customer where conditions leading to uncertainty or complexity are now seen as meaningful and under their control. A company can facilitate this growth but must avoid events, actions and clues engendering the perception of a one-sided agenda associated with a transactional framework or they will trigger an indifferent, price focused mindset.

Product-centric versus Customer Equity

These psycho-economics factors are the distinguishing features between product-centric, transaction-oriented companies and companies that deliberately use the customer experience to win customer mindshare and build relationship value, the cornerstones of customer equity. In an economic downturn the importance of the customer experience becomes more acute as deteriorating economic conditions ratchet up anxiety, stress and uncertainty. Add the personal impact of a crisis and what were once benign emotional experiences can become the triggers for an increasingly competitive buyer-seller relationship—a formula for even lower sales volumes and margins. In contrast, companies that strive to reduce customer stress and help them regain a sense of control become highly valued.

These psycho-economics are the distinguishing features between product-centric companies and companies that deliberately build customer equity.

Apple Stores Case Study

Apple Stores are a good example of a business that courts the engaged buying mindset and fosters the type of relationship customers value. This is one of the key reasons Apple Stores reached one billion dollars in sales faster than any retailer in history. The minute a customer enters an Apple Store the focus is on their experience. Customers are greeted by a concierge who introduces them to a staff member who can help them make an informed decision. All the products in the store are up and running and customers are encouraged to experience them. A classroom where customers listen to free classes occupies expensive real estate in the showroom. The agenda is clear—help the customer get more value out of Apple products.

A Genius Bar is located along one wall. The ‘Geniuses’ who staff it help customers figure out why their technology doesn’t do what it is supposed to do. Whether it is a lack of “know-how” on the part of the customer or a product that requires repair, diagnosis of the problem is free. Sure, customers pay for actual repairs not covered by a warranty, but the diagnosis is from a trusted source, reducing anxiety or confusion. The logic is simple, help customers get the greatest experiential value from the company’s products and they will be committed, enthusiastic advocates.

Contrast the Apple Store experience with the big-box electronics store experience where signage prominently promotes discounts and incentives. While clerks, if you find them, might know about products, they seldom

When customers extract more experiential value, an interesting form of resource allocation takes place; they will scrimp elsewhere to be able to splurge at their favorite stores and businesses.

know how to help customers. Post purchase service costs money. Their agenda is clear: sell you something, period. Is it any wonder customers pursue a win-lose buyer-seller relationship?

These psycho-economic dynamics are in play across industries. Research by IBM (Why Advocacy Matters to Retailers) clearly shows that, in the retail industry, companies with the greatest level of customer engagement are the most profitable and have the highest levels of customer loyalty and advocacy. As the economy worsens, these engagement leaders are not focusing on sales and incentives. They are focusing on helping customers gain greater control. They are stepping up in-store demos, educational digital displays and social media to help their customers adapt to reduced buying power. Their customers don't expect lower prices; they do expect help in gaining greater experiential or consumptive value from tighter budgets.

When customers extract more experiential value, an interesting form of resource allocation takes place; they will scrimp elsewhere to be able to splurge at their at their favorite stores and businesses.

John I. Todor, Ph.D. and William D. Todor, Ph.D.

The Whetstone Edge, LLC

John and Bill Todor are the principals of The Whetstone Edge, LLC, a customer-centric consulting firm that helps clients build customer equity by engaging customers online via social media and delivering compelling offline customer experiences. Their insights are based on an ongoing analysis of how changes in technology, the marketplace and society impact what customers' value and how they make decisions. Their methodologies turn these insights into actionable strategies that help client companies nurture customer relationships that lead to sustainable profits and growth.

John Todor uniquely combines two perspectives for developing win-win relationships between companies and their customers. During his tenure as a professor and research scientist at the University of Michigan and the University of California, Berkeley, he investigated how people learn and make decisions. As a business owner, executive and consultant he has faced the realities of turning a profit. He is the author of three books on related topics: *Get with it! The Hands-on Guide to Using Web 2.0 in Your Business*; *Addicted Customers: How to Get Them Hooked on Your Company*; and, *Winning Mindshare: The Psychology of Personalization and One to One Marketing*.

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Bill Todor is a former professor of Management and Human Resources at The Fisher College of Business, The Ohio State University. Through his deep understanding of organizational principles and real-world experience, he helps clients face the critical challenge of integrating growth strategies, organizational change and new technology. His specialty is bringing this approach to bear on the challenge of building better customer relationships. While customer-focused initiatives can be valuable, he completes the solution by aligning organizational and employee behavior with other programs to enhance customer equity.

He was the organizational behavior consultant to the Toronto Summit on Relationship Marketing and is the co-author of *Winning Mindshare: The Psychology of Personalization and One to One Marketing*. His business experience spans technology, marketing, government and manufacturing sectors.

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Customer Experience and the Human Touch

John Turnbull, Australia

For many years, organisations have focused on satisfying the tangible, rational needs of customers through an emphasis on products, pricing, processes and so on. A customer who is “just” satisfied, however, is unlikely to be a passionate supporter. Passion, loyalty and advocacy are driven most strongly by emotions rather than reason; and emotions are a strongly human phenomenon. In this paper we address the role of emotions in the customer experience. In particular, we explore the drivers of the emotional side of customer experience. Finally, we consider the managerial implications, particularly the application of these themes in a down economy.

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Think about the last time you had a great experience with an organisation. Would you describe it as a superior product, a good price, or a satisfactory transaction? Maybe—but is that all? Chances are you would also describe the experience as enjoyable, exciting, or fantastic. Similarly, bad experiences tend to evoke responses such as anger, disappointment or offence rather than just it was unsatisfactory.

People perceive experiences as a blend of emotional and rational factors, but it is the emotional memories that stick with us. People remember bad experiences—and tell others about them—for a very long time. Emotional content can determine the strength of the ongoing relationship with the customer, and is often used by customers to assess and categorise service providers. In the context of a given customer experience, pleasure is a powerful determinant of spending intentions, and excitement has a powerful impact on willingness to stay and interact with service employees during the episode.

Customer emotions are driven more by how service employees treat customers than by the technical or functional quality of the product or service. A great product can be destroyed by a rude service employee and a commoditised product can be made great by an employee going beyond the call of duty. Customers take their emotional cues from the attitudes and behaviour displayed by service employees; from a perception of being treated well, fairly and with respect. Applying Frederick Herzberg’s two factor theory, functional quality may be categorised as a hygiene factor whereas employee attitudes and behaviours may be seen as motivators. Hygiene factors are the tickets to the game; motivators win the game.

Despite the importance of the emotional side, many organisations today persist with only functional, rationally-based measures such as satisfaction. Yet a satisfied customer is not necessarily loyal—after all, we expect

to be satisfied when we pay good money for a product—and up to 85% of satisfied customers may defect to the competition. In a down economy, it is even more important to focus scarce resources on the things that will make the most difference to customers and their willingness to stay, buy more and recommend your organisation to others.

Examples of Hygiene Factors/Satisfiers

- Access and availability
- Doing the basics (what is expected) well
- Product performance
- Service performance
- Price and promotion
- Speed and effectiveness of response
- Quality; fitness for purpose
- Reliability
- Processes
- Physical environment

Despite the importance of the emotional side, many organisations today persist with only functional, rationally-based measures such as satisfaction.

Motivators / Emotional Drivers

- Engagement and listening
- Understanding and empathy
- Human responsiveness and rapport
- Confidence and empowerment
- Competence to serve
- Personalisation; doing it the customer's way
- Trust
- Honesty
- Making and keeping commitments
- Friendliness
- Issue handling and justice

Each of the motivators / emotional drivers in the above list warrants further discussion and analysis; a task that is beyond the scope of this paper. For example, TRUST can take the form of CREDIBILITY (doing what you say you will do) and BENEVOLENCE (acting in the best interests of the customer). Organisations today have the opportunity to understand

Interestingly, organisations often turn to cutting back employee investment when times are tight —a reaction that is likely to damage rather than enhance the customer emotional experience.

customer emotions and deliver a superior emotional experience by investing in analysing customer emotions, developing front-line capabilities and measuring emotional drivers such as these.

It makes sense to develop such management systems at any time in the business cycle, but particularly so in a down economy. Working on employee attitudes and behaviours does not necessarily require the large outlays that are required for major capital projects such as new CRM systems, production facilities or retail outlets. Furthermore, a successful organisation should already have adequate products, tools and systems to satisfy customers; in a down economy these can be maintained whilst the focus turns from what we do to how we do it. Interestingly, organisations often turn to cutting back employee investment when times are tight – a reaction that is likely to damage rather than enhance the customer emotional experience.

In conclusion, organisations are best served by an understanding of both the rational and the emotional factors that drive the customer experience. These factors, when combined, serve to provide a comprehensive view of the experience from the customer's perspective. Rational factors are necessary to deliver the basics and satisfy customers but are not sufficient to drive retention, loyalty and word of mouth recommendation. The latter are driven strongly by customer emotions based on factors such as trust, empathy, personalisation and friendliness. In a down economy, organisations can develop understanding and competence in these factors with relatively low investment, delivering high returns to the organisation and customer alike.

John Turnbull

Customer Connect Australia, Pty. Ltd.

John Turnbull is the founder and Managing Director of Customer Connect Australia Pty Ltd. He has helped organisations in a wide range of sectors to succeed with their customer relationship / CRM programs over his twenty-seven year career. His work at Customer Connect includes business consulting, strategy, education, research, program management and customer management (CMAT™) assessment.

John commenced his working life with hands-on roles in service, sales, marketing support and project management in the industrial sector. He has managed business transition programs for a wide range of organisations in the commercial and not-for-profit sectors encompassing marketing, sales and service. His experience also includes sales consulting and line management in the IT sector.

John is a sessional lecturer and doctoral candidate at Macquarie Graduate School of Management, running a number of MBA units and Executive Education programs in Australia and Asia including Customer Relationship Management and Consumer Behaviour. John is currently developing a cross-sector, cross-channel framework for Customer Experience as part of his PhD research. He is the Australian facilitator for the global Customer Futures best practice forum, author and contributor to a number of papers and texts relating to customer experience, CRM and loyalty.

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50 Feet From Me: Penetrating the Consumer's Trust Circle

Shari Swan, The Netherlands

We believe that the personal plays a central role in the way that brands need to approach consumers today. Not as a demographic, as a group or as a number, but as individuals with individual needs that demand to be met on an intimate and personal level. We take a “50 Feet From Me” concept in an effort to bring the focus back to the personal. Not just to create mass uptake for sustainability, but to create a consumer-centric base built on trust by approaching them within their 50 feet (less than 15 metres). The brands that survive—dare we say thrive—through the economic turbulence will be the brands that enter this personal and intimate space.

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It is impossible to write an article about the consumer these days without paying lip service to the recent financial meltdown (or near meltdown, depending on your mood). To be sure, we're still in the early days (again, depending on your mood) and, while consumers across the globe are certainly conscious of the ripple effects on their wallets, there is no doubt that it will profoundly affect the spending habits of the average consumer. The crisis will only increase the necessity for brands to be even more personal in the way they approach and speak to consumers today. We say increase because a more personal approach has been on the agenda for a while already, aided, partially or in full, by subtly intrusive digital technologies that allow for 'mass personalisation' (e.g. Amazon book recommendations). Needless to say, as consumers think twice about dipping into their pocketbooks, it will no longer suffice for brands to treat consumers as a demographic or as a group or even as a member of a group, but as an individual with individual needs.

Trust, Proximity and Familiarity

Last month at Sweden's Designboost conference, Streative unveiled an idea we've dubbed "50 Feet From Me". While the concept was conceived in light of the conference's sustainability theme, we feel it is malleable enough to apply to the brand stickiness as a whole. Because at the heart of "50 Feet From Me" are trust, proximity and familiarity. The gist of "50 Feet From Me" is as simple as it is human: brands that survive—and, dare we say, thrive—through the economic turbulence will be the brands that enter the consumer's personal and intimate space.

At the heart of "50 Feet From Me" is the term 'having the bubble', a phrase used by air traffic controllers to describe a state of complete and total awareness. When 'having the bubble', controllers are able to construct and maintain a cognitive map of all the inputs and stimuli taking place around them at any given time and integrate this information into a

coherent picture. They are in complete congruence, a seemingly effortless, balanced flow of information. It's a beautiful and even serene idea, this bubble, something like a runner's high, a state of mind where all the pieces fall seamlessly into place! All of which encouraged us to apply the idea to a social urban context. Because, when stripped of all its military and aviation connotations, the idea of "having the bubble" is actually an acute state of situational awareness, a physical and mental space that one (the consumer, the typical pedestrian) is in complete control of, visually and audibly, at any given time of the day. And instead of happening in the control tower, we propose that it is happening in consumers' homes, in their neighbourhoods and offices and their cars—trusted spaces that are familiar to them, where they interact and where their communities reside.

Flourishing through the hard times requires an approach to brand development that focuses on human needs to deliver products and services that are authentic—items consumers really want.

Consumers State and Space of Awareness

For "50 Feet From Me" then, we translated 'having the bubble' into street-metrics—something Streative does as part of our looking sideways mantra. During our research, we identified the space consumers are capable of controlling completely, both physically and mentally, to 50 Feet from their person. 50 Feet, give or take—50 Feet of acute sensory consciousness of one's surroundings. Admittedly, 50 feet isn't a lot of space. But if you think it feels small now, just wait until the ripple effects of the economic downturn reach shore in the form of sizeable swells. When this happens, brands are really going to experience just how small 50 feet is, and, we suspect, it's going to be a pretty painful realisation process for many brands to come to terms with, much less deal with.

With "50 Feet From Me" we want to point out that only those brands that penetrate, align and connect within this state of awareness, have a very good chance to grow, spread and flourish citywide, countrywide and globally. One human being to the next, like grains of sand on an anthill. Flourishing through the hard times requires an approach to brand development that focuses on human needs to deliver products and services that are authentic—items consumers really want. Brands will have to operate on a highly intimate level that is very close to the consumer—literally. Entering their sphere of trust means understanding not only who the consumer is, but who the human being behind the consumer is.

Brands Integrate into Consumes Lives

There are a couple of brands that are ahead of the game already. One of the reasons Whole Foods has become the de facto case study of strong brands is the fact it is addressing consumer needs—namely, sustainable, healthy, organic, trustworthy food—in a way that is convenient to them and fits seamlessly into their lifestyles. It isn't just a quirky idea or a gimmick, but a valuable part of their lives. They trust Whole Foods because,

quite simply, they have the feeling Whole Foods makes their lives better. Interestingly enough, our own research has shown that organic supermarkets rank higher on the consumer trust index than do banks and insurers (and this before the economic crisis!).

Another brand that is intelligently tapping into individual consumer needs is the South Korean telecom king LG Telecom. LG Telecom has completely shunned the mono-loyalty scheme approach by giving its customers a dynamic, multi-partner programme that offers them discounts on a large number of tangible items they use in their everyday lives. Streative's own research has shown that loyalty programmes by and large remain a popular way to incentivise and influence purchasing behaviour, but we also learned that the most successful programmes, like LG's, make efforts to integrate themselves into the consumer's daily routines and habits—so seamlessly in fact that the consumer hardly even notices them. Certainly, the consumer appreciates this, and it tends to pay back in influence and trust.

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Trust and Consumer Confidence

In a time when the consumer's every move is under the microscope, we believe the relationships built on trust that they develop during the worst of times will carry over to the best of times. So while the price tag might seem like the bottom line, the consumer experience actually is. Getting in the consumer's "50 Feet" is especially important now to create those ties that last well into the future. We're hearing a lot of talk about 'consumer confidence', a term that Streative deems a bit amusing. What sounds like something intimate and personal – the confidence that people have in their economy, in their local stores and their favourite brands—is merely indicative of their spending habits. The fluctuation of 'consumer confidence' should be reason to pause and consider why their confidence is all over the charts. Apparently, brands are not doing a good job of penetrating the consumer's "50 Feet". Those brands that can create products that stick, that can actually create a relationship built on trust, will enjoy more than just a handful of fair-weather friends.

Shari Swan

Streative Branding

Shari Swan is the founder of Streative Branding, an Amsterdam-based strategic design and brand intelligence agency that turns raw, rich consumer insight from the streets into innovative brand strategy, product and services. Currently, the former Business and Product Director of Reebok and Marketing Director of Mexx International is whispering strategic advice and intelligence research into the ears of Telefonica, Estee Lauder, Nike, O2, Starbucks and Bacardi. Streative was recently awarded the prestigious IDSA award and Design S from the Swedish Design Awards for the collaborative design and development of the O2 Cocoon mobile phone.

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People-centric Ambient Design and High-end Healthcare

Marco Bevolo, The Netherlands

This paper offers three key pillars supporting a vision of how premium value creation is key to steer your business to success – even in difficult times: firstly, the focus on people’s experience, inclusive of additional stakeholders; secondly, the ability to innovatively re-think your portfolio, with a focus on end users; and thirdly, the flexibility and scalability of your portfolio offering. After elucidating a strong theoretical, research-based framework for tomorrow’s High End, the paper will present the concrete example of premium hospital suites based on Ambient Experience Design, Philips Design’s innovative approach to design human focused, digital healthcare environments.

For those offering “true” premium value designed around people, this consumption crisis might actually turn out as an element of competitive advantage.

During times of economic downturn, premium propositions struggle to reach people’s mind—and their wallets. This is completely true when it comes to mere “marketing bling bling”, with a price level that does not match brand “roots” and / or actual content of the proposition. Nobody doubts that people will be more critical than ever, scrutinizing brands and products to the fine texture of microscopic details to assess the price / value ratio. Nevertheless, for those offering “true” premium value designed around people, this forthcoming consumption crisis might actually turn out as an element of competitive advantage.

The Principles of Tomorrow’s High End

Since the second half of 2007, an on-going joint editorial project for Wharton School Publishing saw Parlin-prize awarded Howard Moskowitz and Alex Gofman join forces with Stefano Marzano, CEO Philips Design, and with the author of this paper. The topic at hand is the future of premium value, or the “High End”. The investigation ranged from opinions by 75 thought leaders to a statistic analysis of 1,800 qualified customers in US, UK, China and Italy. The core of such analysis was performed during the onset of the credit crunch crisis. Its key directions were captured in 5 “rules” for future success of premium value, complemented by the 5 High End “DNA dimensions”:

1. It’s all about the “beef” (authenticity and value)
2. It’s all about the “experience” (design and experience)
3. It’s all about creating the “new” (innovation and leadership),
4. It’s all about “fame” (image-making and people-reaching)
5. It’s all about higher values (sustainability and simplicity).

Also, in the light of expected change in cultural values triggered by the 2008 financial crisis, it is particularly important to underline how

sustainability will become one of the key drivers of premium experiences —sustainability is here intended not only in its environmental sense, but also and especially from the viewpoint of social inclusion and personal well being. Let's retrospectively apply the above set of rules.

People-centered Innovation Design

In 2001 the Philips Design teams defined a clear vision of human focused High Tech for the year 2020. This was materialized in “Nebula”, an ‘immersive bedroom space’ concept. The vision behind “Nebula” was to not have the user experiencing a “blind and deaf environment” anymore: she is instead physically immersed into a “3D digital interface” enjoying access to endless applications designed for her own entertainment and well being. From this design concept, a powerful reality of premium value for all of us was to come, one addressing one of the experiences where we are most exposed to fear and discomfort.

From this design concept, a powerful reality of premium value for all of us was to come, one addressing experiences where we are most exposed to fear and discomfort.

Focusing on People’s High End Experience

In the past, medical high tech focused on technical performance and not on human emotions. One can recall 20th Century medical machines as cold and intimidating. As a matter of fact, poor quality man-machine interaction would affect not only a child during his examination but also the clinical staff who—year after year, everyday—had to operate in this less than appealing environment. This responded to the social values of a time when rational science seemed to have all the answers. This was to change when the people-centric vision behind the “Nebula” concept was translated into “Ambient Experience” for hospitals.

“Ambient Experience Design” (AED) is the premium approach to the journey of all people involved with the performance of clinical examinations—patients, families, doctors, technicians, nurses. It emerged in 2005 as an evolution of the ideas behind “Nebula”, and since then it underpinned at least 50 suites installed in hospitals around the world, from The Netherlands to Dubai, from Florida to Brazil.

The Benefits of Ambient Experience Design

The Chicago Lutheran General Children’s Hospital, a North American Hospital within reach of a wider audience, offers the Ambient Experience suite. Here, thanks to AED, the sedation rate of children was cut by up to 40%, with a parallel reduction of repeated tests. This concretely means a higher quality of life for children and parents but also for staff and doctors.

Such higher quality of life does not remain confined within the walls of the facility. People talk about it. Research shows that an impressive 30% of patients at “Advocate Imaging Specialist” in the Chicago Metro area,

choose their hospital based on physician advice related to the presence of Ambient Experience in the portfolio of offerings. AED is an undeniable marketing asset for those who choose to do well by providing a superior experience to their patients.

Three Principles of Ambient Experience Design

How does Ambient Experience for hospitals retrospectively check out as a High End solution? Let's see:

- Authenticity and value: it offers genuine benefits at true premium value
- Design and experience: it is an experience “engine”, born out of designer’s vision
- Innovation and leadership: it changed a category, generating unique advantage
- Image-making and people-reaching: it generates buzz and is a B2C marketing asset
- Sustainability and simplicity: it is inclusive, holistic and designed around people.

Key principles of AED?

1. People are at the centre of the experience
2. The business portfolio is re-defined on the basis of people’s values and needs
3. Applications are scalable and flexible.

It is natural to identify these three principles as the key to successful customer experience in an economic downturn. The first principle was demonstrated in the paragraphs above. Let's discover the next two.

People at the Core

With AED, design for medical equipment expanded beyond the individual machine unit. It turned to the holistic inclusion of the entire environment both in terms of “space” (the walls and the ceiling of the examination room) and “stakeholders” (all people involved in the event, including and beyond patients). Such convergence of different Philips company capabilities—medical systems, sound and vision, lighting, sensing...—with a focus on people—energized professionals and delivered on the Philips brand promise (“Sense and Simplicity”) beyond any supposed corporate silos.

Ambient Experience Design is an undeniable marketing asset for those who choose to do well by providing a superior experience to their patients.

Increasing the Flexibility and Scalability of the High End portfolio

Ambient Experience applications have the ability to flexibly scale downward. This way, the benefits become accessible to wider audiences. Such “inclusive approach” does not translate into brutal commoditization, as the “premium value” is maintained to its full potential—only more people can afford to reach for it. This “scaling down” extends the notion of “inclusive High End” from the totality of stakeholders in context (all the people in the single hospital) to less privileged audiences in additional contexts (more hospitals in more cities). This represents a good footprint for a “sustainable premium” roadmap, from top end to access.

Ambient Experience Design goes beyond conventional categories and geographies by keeping people at the heart of digital technology, in context. For the next decade of expected downturn and crisis, this is “the” way to generate demand at premium value—because in these times only authentic value designed around people will matter.

Marco Bevolo

Philips Design

Marco Bevolo is Director at Philips Design. After professional experiences in automotive design, art publishing and advertising, he joined Philips Design in 1999, where he works as one of the company speakers and as an author. He was instrumental in the creation of CultureScan, the ongoing trend forecasting research program investigating cultures and aesthetics at regional and global level. He was awarded ESOMAR ‘Best Conference Paper’ nomination, New York, 2006, and served on the advisory board of several cultural institutions in Europe and the America’s. He is the co-author, with Alex Gofman, Stefano Marzano and Howard Moskowitz, of the forthcoming “Premium by Design: How to Design and Market High End Products”, edited by Jerry Wind for Wharton School Publishing. He is an author, Wharton School Publishing. Mr. Bevolo was born in 1967 in Turin, Italy and graduated “cum laude” from the University of Turin in Psychology, Faculty of Literature and Philosophy. He lives in Eindhoven, The Netherlands.

The Perfect Time to Reinvest in Process and People

Bill Price, USA

During all down economies, customers become nervous about their income futures. They tend to re-consider all of their commitments and reconsider the companies that merit their ongoing business during the stressful times. Companies that shirk customer experience during down economies do it at their own peril, providing ample reason for their customers to experiment with other providers and switch allegiances.

What are dumb contacts? Put simply, this is when customers contact the company for assistance but there is no value for them or for the company.

Companies that shirk customer experience during down economies do it at their own peril, providing ample reason for their customers to experiment with other providers and switch allegiances. Instead, this is precisely the right time for companies to reinvest in customer experience, cleansing their system of all “dumb contacts” and their underlying reasons and retraining all of their customer-facing employees to exhibit appropriate empathy, and to look for potential customer defection. After all, these employees are probably also affected by the downturn, nervous about their futures, so if they feel neglected it will come across to the customers and most likely lead to their turnover once the economy rebounds.

Reduce Customer and Employee Stress

Let's look at two steps that companies can take to reduce customer and employee stress during the down economy.

The first, big step to take is to eliminate “dumb contacts”. What are dumb contacts? Put simply, this is when customers contact the company for assistance but there is no value for them or for the company. For example:

- Billing systems that present two amounts to pay on the statement, confusing customers who scratch their head and then pick up the phone, or send an email message, to ask “how much do you want me to pay?” Even if the company is using “autopay”, if the statement shows different amounts the customer will need to contact the company to find out how much was deducted from their account.
- Online flight confirmations that don't show all of the legs, or omit previously approved seat upgrades, frustrating the frequent flyer and/or perplexing the casual traveler who calls the reservations center to confirm their status, and this also intrudes on order-taking, a double whammy!

Over the past several years, we have examined closely the value of customer contacts into customer support centers and the results shocked us: 29% of the volume handled represents “dumb contacts”, ones that with some forethought and (oftentimes) simple re-engineering or program error checks can be completely eliminated. Imagine how this would reduce the stress for customers and the stress for the customer service agents who have to answer the phones or respond to email messages that are repeat requests for the same broken issues—plus, the cost savings are dramatic, much more so than seeking productivity improvements.

Eliminating Dumb Contacts

Companies can address dumb contacts using a simple four step process: (1) categorize all customer contacts based on their value or irritation to the company and to the customer, with the “irritant/irritant” group = “dumb contacts” to eliminate; (2) set up cross-functional teams to attack each and every “dumb contact”, if necessary applying root cause analysis; (3) report the reduced rate of “dumb contacts” on a “CPX” basis, or contacts per driver X where X = customers, orders, devices, etc; and (4) celebrate the reduced rate of “dumb contacts” inside the company and with customers alike. These and other approaches are described in more detail in my book *The Best Service is No Service: How to Liberate Your Customers From Customer Service, Keep Them Happy and Control Costs* (Wiley/Jossey-Bass, March 2008, with co-author David Jaffe).

The second step that companies can take, also a big one, is to retrain all customer-facing and –supporting employees to become more empathetic and to spot disaffected customers on the verge of switching. A recent article in *The Wall Street Journal* (“Toyota Keeps Idled Workers Busy Honing Their Skills”, October 13, 2008) confirms the value of investing in human resources during the down economy—in Toyota’s case it makes sense to prepare them for the inevitable upturn, and in all companies’ cases it makes sense to reassure worried workers so that they don’t leave. While it’s true that fewer employees and managers can afford to quit when there are fewer job opportunities, once the economy rebounds watch out!

Soft Skills Training

What sort of training do we mean? There are many courses now for “soft skills” and “negotiations” and “listening”, all aimed to shift the employees’ attention from problem-solving or sales to the holistic view of what’s happening with the customer. One of the classic products involves a harried woman calling her insurance company to ask if she could delay paying her next invoice – generally an open-and-shut case with the answer typically “no”—when the customer service agent heard a young child crying in the background. He asked the mother if that was a newborn

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and when the mom replied “yes, twins!” the agent noticed that the kids weren’t covered on her policy so he took time to add them and reassure the mother that she could pay later. The upshot? A delighted customer, maybe one for life, a happier agent since he could do something nice for the worried mom, and additional sales—even if it meant delaying payment for one period.

This retraining will pay other important dividends such as employee re-engagement (see again the Toyota article) and empowerment (see again the insurance example), and a less stressed workforce that sees management invest in them during the hard times.

Eliminate dumb contacts and train your most important resources during the down economy – two big steps to reduce customer and employee stress.

Bill Price

Driva Solutions, LLC

Bill Price founded Driva Solutions, LLC in September 2001 after serving as Amazon's first Global VP of Customer Service for almost three years. Driva Solutions has supported more than 80 clients across three integrated Program Areas: Contact Optimization, Performance Optimization, and Sourcing Optimization, successfully "creating and sustaining highly effective customer contact strategies and operations, locally and globally."

Bill also co-founded the 10-country LimeBridge Global Alliance to improve their clients' customer experiences and control costs, and chairs the 34-company Global Operations Council that he formed in early 2002 to share "best practices and worst experiences".

Bill started his career with McKinsey in its San Francisco and Stockholm offices, working on what turned into In Search of Excellence; was then COO at early IVR service bureau ACP, which MCI acquired; built MCI Call Center Services' automation, consulting, and agent outsourcing divisions into a \$700 million operation; and was named one of the first Call Center Pioneers in 1997.

Bill is a frequent keynote speaker, graduate school CRM instructor, and advisory board member. His 1st book *The Best Service is No Service: How to Liberate Your Customers From Customer Service, Keep Them Happy and Control Costs* was published in March 2008 by Wiley & Sons. He graduated from Dartmouth College and the Stanford Graduate School of Business, and lives in Bellevue, Washington.

Using the Power of Passion to Exploit Tough Times and Win New Customers

James R. Lucas, Ph.D., USA

There is one large business truth in traumatic times: either you're exploiting change, or change is exploiting you. The understandable norm is to hunker down. This can work only as long as customers are willing to cooperate and competitors follow suit. But it misses the opportunity presented by the crisis. This paper outlines 7 manageable business paradoxes organizations can practice to win. Organizations that do, can recapture the power of passion with their teams, use that passion to capitalize on the tough times and win new customers, and dramatically differentiate themselves from their competitors.

...during the down economy. We can plan to win big, to go from victim to victor, to climb higher while our competitors slide.

As proactive leaders, we can go beyond trying to survive these meltdown times. We can even go beyond trying to thrive during the down economy. We can plan to win big, to go from victim to victor, to climb higher while our competitors slide.

The challenges of leadership include managing ever-present business paradoxes. Of the 20 paradoxes we've studied, there are 7 manageable paradoxes that organizations can practice to win in tough times. The untrained mind, especially under duress, works to reject these competing ideas and pick easy extremes. Meltdown leaders instead embrace these apparent contradictions to unleash passion:

Spread Optimism and Spread the Ugly Truth

Meltdown needs a positive framework. Your people will conquer mountains—if they believe they can and that there's a point to the battle. But with the hope, they need the unadulterated truth. Cheerleading won't get the job done if it's based on wishful thinking rather than hard-core reality. Be a pragmatic idealist in the face of stiff winds. Lead with faith, but mix—in equal amounts—optimism about capturing and keeping customers with ugly truth about the challenges.

Broaden the Vision and Narrow the Focus

Meltdown is no time to have too much of your future tied to too much of your past vision. Broaden it. What else are we passionate about? How about our customers? Where can we make a unique contribution, given the new rules of the game? What are our non-customers up to right now? At the same time, resources are perhaps scarcer than ever, so we had better spend them on the best opportunities that we have. If we've wandered in good times into areas where we're strangers in a strange land, let's exit. Fast.

Ask your people every day what risky new action to serve customers or improve operations they have on their agendas. But also clearly delineate what no one can do without clearance until meltdown is over.

Nurture Customers and Fire Customers

Of course, it's always the time to love your customers, but now's the time to really love the ones with cash and orders, those who currently have more options. Assign interim customer champions to make sure that nothing is taken for granted. Find ways to help your customers through their own meltdowns—they'll be sure to remember you. Become even more indispensable. But purge the bad customers—the ones who bring you high levels of demand and complaint and low levels of profit and partnership. You have no time for these marginal or negative contributors. Clean out the address book. Use that extra time to win new good customers who are abandoning your hunkered-down competitors.

Increase Freedom and Clarify Boundaries

The shackles need to go. You'll be tempted to "batten down the hatches," but you won't exploit meltdown with policies, procedures, rules, or regulations. You desperately need good judgment. Give great latitude to anyone who displays it for even a minute. But times are challenging and there's no time or resources for people to duplicate or overlap efforts. Give more freedom to do what no one else is doing to serve customers, but tell people where the fences are.

Expand Creativity and Eliminate Ideas

Leaders always claim to value innovation, but few really encourage it or measure it. Right now you need 100 percent of your staff thinking like CEOs. Create forums for ideas and the liberty to implement them fast. But you'll need to eliminate a high percentage of these ideas very quickly. Find your most passionate people at all levels and create Incubator Teams™—gatekeepers who can kill thoughts without killing thinking.

Take More Risks and Eliminate Risk

You've got everyone out on the edge. Push people to do things that are a bit scary. Ask your people every day what risky new action to serve customers or improve operations they have on their agendas. But also clearly delineate what no one can do without clearance until meltdown is over. We may have less cash for fewer tries, so we'd better try fewer—but more radical—things. Poor managers do across-the-board cuts. Meltdown managers reduce costs a lot in some areas, so they can increase spending in places where new customers are waiting.

Execute Better and Make More Mistakes

When customers are already skittish and focusing on price, there's no room for sloppy execution, mindless bureaucracy, or dumb mistakes. Weed out all waste, no matter how small. But do it to free up resources

Meltdown is the time for fresh initiatives out on the cutting edge, where some of them just won't work.

to make smart mistakes, what we call Intelligent Mistakes™. Try original ideas that could never survive scrutiny in boom times. Meltdown is the time for fresh initiatives out on the cutting edge, where some of them just won't work. Encourage lots of well-executed mistakes and celebrate every one—while squeezing them for learnings.

We need our team to go far beyond being “happy,” “satisfied,” or “engaged.” We need passion and commitment and Positive Discontent™. Great leaders know that passion to serve and win is built by fresh, positive action, not by fearful retrenching. Organizations that act on these 7 paradoxes can recapture the power of passion with their teams, use that passion to capitalize on the tough times and win new customers, and dramatically differentiate themselves from their competitors.

Above all, keep a nice rhythm between pressure and stress. Great leaders in down economies learn how to convert stress into positive energy, confusion into an opportunity to learn, and insecurity into a challenge to grow. People can perform well in meltdown times, as long as they know they can still be successful. Remember that meltdown is a time for both war rooms and party rooms.

Here's your opportunity to use some innovative approaches to capture the power of passion with your team. You can turn potential disaster into real growth and wealth. Meltdown is frightening—but if handled well, it may be the opportunity of a lifetime.

James R. Lucas, Ph.D.

Luman International

James R. Lucas is a recognized authority on leadership development and cultural design. He is a groundbreaking author and thought leader, provocative speaker, and experienced consultant on these crucial topics.

Jim is President & CEO of Luman International, a firm dedicated to Building Passionate, Thinking, Pure-Performance Organizations™. Luman has served hundreds of organizations and thousands of leaders around the world since 1983.

Jim is the author of six landmark books:

The Passionate Organization: Igniting the Fire of Employee Commitment

Passionate Lives & Leaders: Real Leaders Tell How Passion Leads to Performance (2009)

Broaden the Vision and Narrow the Focus: Managing in a World of Paradox

High-Performance Ethics: 10 Timeless Principles for Next Generation Leadership

Fatal Illusions: Shredding a Dozen Unrealities That Can Keep Your Organization from Success

Balance of Power: Fueling Employee Power without Relinquishing Your Own

He has been continuously listed in Who's Who in the World, Who's Who in America, and Who's Who in Finance & Industry. Jim Lucas is an internationally recognized authority on leadership and organizational life....

“You can take what he says to the bank – both figuratively and literally.”

Steve Forbes, President & CEO of Forbes, Inc. & Editor-in-Chief, Forbes magazine

Let the Value Equation Guide You Through the Recession

Graham Hill, Ph.D., Germany

We are probably entering into a prolonged recession. Some even talk of a new depression. Many companies have responded with knee-jerk cut-backs. But smart companies are using the 'value equation' to guide their actions. The value equation looks at which customers are critical for the company, how they create profitable value for core customers and what they must do to maintain growth in core customer profitability. The value equation is the key to understanding which business activities to invest in, which to maintain and which to cut back. It is the key to driving profitable growth in a prolonged recession.

When times are hard, cash is in short supply and customers are in even shorter supply, you need to carry out a 'strategic due diligence' to understand how your company creates value.

Type in the word “recession” into Google and, at the last count, it returned over 32 million hits. Everyone is talking about the recession and many companies have already started to do something about it. Often this means cutting swathes of staff without much thought to their long-term success: British Telecom announced it is cutting 10,000 jobs, Citibank that it is cutting 52,000 jobs and the City of London is forecast to lose over 370,000 jobs during the recession!

No Company Ever Shrunk to Greatness

Whilst job cuts are to be expected, they are by no means inevitable. Research by McKinsey showed that companies that beat the last recession in 2001/2 actually increased spending in key areas. The research tracked almost 1,000 US companies over 18 years, including during those all important recession years. The companies that emerged in the top quartile after the recession actually increased spending on sales, innovation and marketing. Although this reduced their cash reserves, the companies traded short-term profitability for long-term gain. And it worked; their book-to-market ratio was more than 25% greater than their less successful peers.

Understanding the Value Equation

The companies that beat the last recession understood the “value equation”. When times are hard, cash is in short supply, and customers are in even shorter supply, you need to carry out a ‘strategic due diligence’ to understand how your company creates value. And what might happen if things get worse. That means understanding what drives sales and margin growth, how core shareholders view the company’s prospects and how the company can return value back to them in the best way. That is the company-side of the value equation. But by itself it isn’t enough. You also need to understand the customer-side of the value equation. That means understanding who your company’s core customers are, what they buy, which channels they use, how much they are willing to pay, and what jobs and

outcomes they are looking to achieve at different points in the customer experience.

Only by understanding both sides of the value equation can you beat the recession. And the value equation changes a lot during a recession; just think how people are now buying private labels rather than branded products at your local supermarket. It is critical that you spend enough time during the due diligence studying how your company delivers value to customers and how that creates value for shareholders. The recession is probably going to be with us until 2010, so it makes sense to do a proper due diligence before setting out to beat the recession. And it is no use just relying upon analyses from just before the start of the recession either. The world has changed in the last few months and it might never be the same again.

The recession is probably going to be with us until 2010, so it makes sense to do a proper due diligence before setting out to beat the recession.

The Rules for Recessionaries

Although different companies should respond to the recession in different ways, there are a few general rules that they should follow. I call these the “Rules for Recessionaries”.

Rule 1: Protect Your Best Customers, Products & Channels

As George Orwell, might have said, “All customers are created equal, but some customer are created more equal than others”. You need to understand who your best customers are and to protect the revenues they provide. As pressure mounts to make cuts, it is essential that the cuts fall on the customers who don’t provide much revenue or who lose you money. You also need to protect the products the best customers buy, and the channels they buy them through from cuts too. Paradoxically, this may be the time to consider making additional strategic investments in your best customers. You can achieve much more ‘bang for your buck’ when your competitors are reducing their spending.

Rule 2: Refocus the Customer Experience Around the Value Equation

Knowing who your best customers are, what and how they buy, and what jobs and outcomes they are looking to get done, allows you to refocus the business and provide a superior customer experience that also delivers superior results for your company. This may require refocusing resources away from your worst customers towards your best ones. It may require making further investments in them. The deep understanding you developed during the due diligence will identify the core touch points in the customer experience and the activities which support them. And the focus on customer jobs and outcomes will ensure that you don’t forget about the product in use. This is usually the part of the customer experience where most value is delivered to customers.

Rule 3: Sweat Your Customer Management Assets

Now that you know who your best customers are and have refocused around value creation, you should look to gain the maximum from the customer management assets you have. This means squeezing a bit more value from each of the core touch points in the customer experience. Doing this requires that all the supporting people, process, technologies and other assets that deliver the customer experience are better aligned. And that they are used a bit more intensively to create value, whether this involves better sales calls, more targeted marketing, or products that are better at helping customers get the jobs and outcomes they want. As has been said elsewhere, a recession means doing BETTER, not just doing less!

Rule 4: Cut Non-value-adding Costs while Protecting Value

In parallel with using your customer management assets to the full, you should also look to remove all non-value-adding costs, using the lean thinking approach pioneered by Toyota. By following a customer order through the entire delivery process, most companies are able to identify 20-40% of the activities that don't add any value, i.e. that neither the customer, nor the business is willing to pay for. These are all candidates for cuts. This not only saves significant costs, it also speeds-up the business, reduces errors and increases the satisfaction of your best customers. And just as important, the cuts don't reduce your ability to create value in the future.

Rule 5: Support & Incentivise Staff to Deliver Value

Tough times call for strong leadership. And not only from senior management. You should carefully assess your staff and select the ones who can help lead you through the recession. And then agree tough performance targets for delivery. That may mean upsetting the old order and hierarchy as young managers are promoted above longer-serving ones. It may also mean trouble with unions more interested in maintaining the job status quo than in your company beating the recession. You should be prepared to support, coach and mentor managers responsible for running key parts of the customer experience. It will be worth it. Not only will they feel empowered to deliver against their targets during the recession, they will also be much better managers once the recession is over.

Rule 6: Focus on the Long-term while Supporting the Short-term

Many companies make the mistake of just focussing on the short-term, particularly at the start of a recession. And you will certainly face pressure to be seen to be 'doing something' about the recession. The whole point of

By following a customer order through the entire delivery process, most companies are able to identify 20-40% of the activities that don't add any value...

the due diligence and the previous steps is to enable you to understand what creates value for customers and shareholders over the long-term, and then to develop a plan to beat the recession. This will no doubt require some tough trade-offs. And sometimes you will be forced to make the wrong ones to placate senior management. That doesn't mean that you should ignore the short-term, particularly revenue generation. But it will allow you to strike the right balance so that you can plan to beat the recession.

Are You Planning to Beat the Recession?

If you follow the six simple Rules for Recessionaries, you will be in a good position to put together a coherent plan to beat the recession. But if you are just intending to rely on aggressive cost cuts, or untargeted investments in the status quo to save you, then "Good Luck". You will need it.

Graham Reginald Hill, Ph.D.

Strategyn and CACI Customer Solutions Group

Graham Hill has worked at the forefront of customer management thinking and doing for over 20 years with management consultancies such as PricewaterhouseCoopers, OASIS Group and KPMG Consulting. For the past six years he has run his own independent CRM consultancy advising clients in the financial services, telecoms, automotive, building and aviation industries, and the public sector.

Hill's interest is in the areas of customer value management, customer life-cycle management, customer experience management and customer-driven innovation.

Hill is the resident Customer Value Management guru at CustomerThink (www.customerthink.com), the leading independent CRM portal, where his blog, 'Customer Insider' was recently voted one of the top 10 CRM blogs. He is also an Associate with outcome-driven innovation pioneers, Strategyn UK and with customer value management experts CACI Customer Solutions Group.

Hill has a Bachelor of Science degree in the biological sciences from the University of London and a Ph.D. in the biological sciences from the University of Edinburgh.

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From Product to Experience; From Price to Exchange

Rory Sutherland, UK

Brian Fetherstonhaugh of Ogilvy New York argues that in a digital age the traditional 4-Ps of Marketing need to give way to the 4-Es (Experience, Exchange, Everywhere, Evangelism). Two of these seem to have immense relevance in a recession: (1) The idea that “how” may mean more to consumers than “how-much”. The bizarre fact that people may be more loyal to a channel than to a product, and; (2) The idea that you can engage in ever more profitable interactions with customers without necessarily requiring them to give you any more money - yield management being a prime example of this.....

People are often required to make purchase decisions with incomplete or inadequate information, and they may appraise value and cost very emotionally.

The discipline of economics was, until a few years ago, of no interest to brand marketers—nor was marketing of much interest to economists. There was a simple reason for this. Until recently, all economic models depended on the pretence that all economic agents were perfectly rational. Every economic decision was assumed to be the result of calculations taken by a kind of Homo Economicus, a person with a huge capacity for the processing of information, but with no right brain whatsoever. This convenient fiction left no space for brands or marketing at all.

Marketonomics: lessons from a new science.

In recent years, with the welcome rise of behavioural and informational economics, the dismal science has finally acknowledged that, in the real world, decisions aren't made in this desiccated, hyper-rational way. For a start, people are often required to make purchase decisions with incomplete or inadequate information, and they may appraise value and cost very emotionally. People also make heavy use of heuristics—a kind of decision-making shorthand—to make decisions. Can't be bothered to research which camera actually takes better pictures? Well I'll just assume that the one with more megapixels is better.

For service brands, of course, almost every transaction involves imperfect information—because whereas you decide to use a service in an instant, you only discover its true value over time. When you pay for an air ticket, for instance, you have no idea of what the eventual journey will be like.

The job of a marketer is, to put it simply, to convert human understanding into business advantage. So it might pay us to spend a little time investigating what behavioural economics has to teach us about how people decide their spending and what influences their impressions.

With a recession upon us, we might then use these behavioural insights to improve the value we offer customers without increasing the cost of the service we provide.

Below I have compiled a list of just a few of these biases.

Memory of an experience is not representative of the experience.

Donald A Norman's recent paper *On the Psychology of Waiting Lines* is good on this. A long wait followed by good service is better than a short wait with bad service. In other words, raise your service levels towards the end of any interaction, since customer memory is back-end weighted.

It's also worth remembering that, with a few exceptional peaks, you can trump a competitor whose overall level of service is higher.

For instance if, of all my hundred hotel stays in the last ten years, you ask me which of them really stand out in my memory, there are in fact about ten.

Those which I still remember are the ones which, for one reason or another, have done something out of the ordinary. The hotel in Estoril I visited with my family where the cleaning staff, seeing from the detritus in the room that there were children staying in it, folded a bathroom towel into the shape of an elephant and left it on the bed. The hotel which could print on demand a facsimile copy of any of 200 newspapers worldwide. The hotel which allowed you to choose the music in the lift. The hotel which wrote to me after my (one-night) stay to thank me for staying with them. The hotel which gave me a selection of their "signature" cookies when I checked in. The hotel which had a wittily written hotel directory.

That's not to say a distinctive hotel can afford to be bad; just that ticking all the relevant boxes probably isn't enough.

It really is "the thought that counts". People do not judge service by how much it costs to provide. An intelligent or thoughtful gesture trumps something that is merely lavish or extravagant.

The second, and more important point is that all these memorable touches are amazingly inexpensive. In some cases free. And that's the second vital rule for any service brand to remember that people are more charmed by meaningful gestures than by infrastructure. A smile costs nothing.

Now that's a pretty useful thing to know in a recession. In short, with any service brand you can quite easily create a lot of perceived value at not much cost. And the obverse? It's perfectly possible to spend a fortune without creating much value.

Upgrades are easier to sell if offered separately from the original purchase. People tend to have mental budgetary pots. So, once they have paid for cinema tickets, say, they see that as a sunk cost. They then proceed through a ticket gate where they are offered popcorn. They do not mentally add the cost of the popcorn to the cost of the tickets. This is why all multiplex cinemas try to sell food and drink beyond the point your tickets

With any service brand you can quite easily create a lot of perceived value at not much cost.

are checked. It prevents people treating the costs as a single event. In the same way, airlines can sell early bookers flight upgrades the week before they fly—in the hope that the original cost of the economy tickets has been mentally written off by that point. Hotels, theatres, cinemas could try the same thing.

Customers do not judge all costs equally. Amazon Prime allows you to pay an annual fee in return for which it waives all delivery costs. Ocado does something similar. Generally people are more pained by paying for an intangible (such as delivery) than for a tangible. Hence these tradeoffs are a clever way to offer customers highly valued savings in return for a greater share of their wallet.

Cost isn't the same as price. How much you pay is only part of the cost. People are often massively sensitive to other costs —the effort of choosing, the time spent booking, the hassle of paying. Reducing the pain of doing business can be more effective than reducing price. Simply accepting credit cards has transformed the fortunes of fast food chains.

*Reducing the pain
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People make choices in sequence, not in parallel. And the brand choice may come late in the decision tree. Channel choice may often precede brand or product choice. People may decide they are going to buy a sofa on the internet, and only then decide which sofa to buy. In the same way people decide to have a take-away before they decide on the kind of food. This means that selling your offering through new channels may not just be an enhancement to existing customers: it may bring in entirely new customers altogether. Adding channels may thus pay more than you expect.

Customers can pay for services with more than just money. One of the lessons of yield management is that a customer with a great deal of flexibility can be just as valuable to you as a customer with a great deal of money. Someone rich who can only fly on your most overbooked flight of the week may be less profitable than someone with less money who is happy to fly on your emptiest planes. Flexibility is one currency your customers can pay you with (aside from money). Advocacy is another. The internet makes it possible to enter into entirely new profitable agreements with customers. Could an electricity company offer lower tariffs to customers who agree not to switch on appliances at times of peak demand? Why not? Or in return for reading their meter weekly by text?

People are getting more impatient. The days of allow 28 days for delivery will never make a comeback. Regular internet use and an accelerating pace of life mean people are simply more demanding of instant gratification than ever before. If you can't improve your service, find a way of making it faster. Or at least making it seem faster. Remember the words of one Gen-Y teenager: "The trouble with McDonalds is it's just too slow."

Forget the 4Ps: use the 4Es.

Brian Fetherstonhaugh, OgilvyOne's worldwide CEO, has a useful device to help marketers cope with these changes. He advocates replacing the 4Ps with the 4Es: **from Product, Price, Place, Promotion to Experience, Exchange, Everywhere, Evangelism.**

Particularly relevant for recessionary times, too. Think about it for a moment. Changing the four Ps costs a fortune. Transforming the four Es may not cost you much at all.

Rory Sutherland

Ogilvy Group, UK

Rory Sutherland was born in Usk, Monmouthshire, in 1965 and educated at the local Haberdashers' school and at Christ's College, Cambridge.

At this point, promising early parallels with the life of Sir Martin Sorrell begin to break down. He joined OgilvyOne as a graduate trainee in September of that year. After six months cross training, and thirteen months spent as the world's worst account man (in a last remedial effort he was booked on a time management course, but got the date wrong) he was moved to the Planning Department. Soon afterwards he confessed an interest in copywriting to his line manager, who promptly fired him.

The experience had not been altogether wasted. For one thing, while in Planning, Rory worked within a few feet of Miles Young (soon to run Ogilvy worldwide); Paul O'Donnell (now Chairman of OgilvyOne Europe) and Derek Robson (now running Goodby). For another, it was his spell in Planning that introduced him to online information systems accessible over a squeaky thing called a modem (then operating at a "blistering" 14.4Kbps). If only they could consumerise this technology, he thought, direct marketing could really take off.

Of course, had his firing taken place in 1999, fate would have seen him joining a dot.com start-up and writing this from his oceanfront house in Santa Barbara. But, sod it, this was 1992.

So, two weeks after leaving Planning, Rory joined the creative department as a junior copywriter. At this point things went a bit better. Working first for Steve Harrison (now CD of Harrison Troughton Wunderman) and partnered with Mike Simm (now a CofE vicar in Norfolk) and Cordell Burke, Rory was promoted to Head of Copy in 1995 and Creative Director in 1997. He won some awards.

He is married with twin daughters, and lives in Kent England. He remains an advocate of advertising which does different things, rather than just saying things differently.

In 2005 Rory was made vice-Chairman of the Ogilvy Group in the UK in recognition of his improved timekeeping.

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Customer Retention: Definitions and Data to the Fore

Merlin Stone, UK

Customer retention has long been a topic of great interest to managers, consultants and academics. Lots of people know how to talk about it, but how many can walk the walk? Research I did several years ago showed that most companies didn't even talk the talk properly. Today, when it comes to the professionalism of loyalty and retention management, companies still vary quite dramatically. In this recession, companies need to review their retention management toughly, to see what works and what does not, and whether they understand why.

...loyalty schemes are expensive to deliver, they don't require much thinking and hard work, compared with retention management. Indeed, they can be completely outsourced, while true retention management can't...

Customer retention has long been a topic of great interest to managers, consultants and academics. Lots of people know how to talk about it, but how many can walk the walk. Research I did several years ago showed that most companies didn't even talk the talk properly. They used the words, but had no clear or corporately-agreed definitions of loyalty or retention, let alone measuring or managing them. Perhaps the obsession with loyalty schemes rather than customer loyalty management contaminated them. I believe that although loyalty schemes are expensive to deliver, they don't require much thinking and hard work, compared with retention management. Indeed, they can be completely outsourced, while true retention management can't (though services to support it can).

Relationships and Loyalty in a Recession

In the last recession, refocusing on reality caused a change. The rough ride was particularly tough for the main types of company for whom loyalty and retention are issues—utilities, telcos, simple financial services (e.g. current accounts, general insurance, credit cards, short term loans and deposits, mortgages), travel companies (e.g. airlines, packaged holidays).

In these companies, even if they stayed profitable, hard questions were asked about the relationship between profitability and marketing, and in particular about how direct marketing/CRM techniques improved profitability—usually by finance directors. In some companies, the answer was that good, well managed customers (those that bought enough, and were managed efficiently and appropriately so they stayed, perhaps bought more and didn't cost too much to manage) provide most of the profit, so it is worth investing in managing them (and those likely to fill their places when they eventually leave) well. This involves defining “good customers”, doing the data and analysis work needed to understand and manage them, devising timely, relevant product and service propositions to encourage them to stay, ensuring they have a fair chance of being offered these

propositions, perhaps by changing the systems and processes by which they are managed, and so on.

In other companies, the answer was that all customers are worth managing better because they all contribute value, and that before this can happen, big systems and data investments are needed, because existing systems and data don't support improvements to customer management. This answer is not necessarily bad, but it leaves a hostage to fortune—after the investment, did the company actually change how it managed its customers?

Build a Strategy for “Good Customers”

Today, when it comes to the professionalism of loyalty and retention management, companies vary quite dramatically. At the most professional end, we have just a few companies which have defined what they mean by “good customer”. They may have various “good” segments, varying in current and expected future value—in particular near term value, cost to manage, persistence propensity and the like. They have data which tells them which individual customer fits which category. Some even understand commitment levels and recommendation propensities. The most advanced have control groups for each good customer type, as well as one for average customers, telling them how the uplift they get from any targeted marketing initiative varies between good and average customers. This allows them to calculate true incremental benefits and costs of initiatives. These companies routinely predict attrition, and with control groups can identify the net effect of anti-attrition initiatives. Finally, they are reasonably aware not just of what competitors are doing in terms of loyalty and retention outcomes, but also of how they do it, even of how competitors think about it. This means that they can defend themselves from attack, and find their competitors' weak spots.

Not All Customers Are Worthy of Retention

At the other extreme are those companies who still don't really know which customers (if any) should be managed for retention and loyalty. They often look like the professional companies, in the sense that their activity profile looks similar. But they don't really know what loyalty and retention activity actually works to create profit. And they have little idea of what competitors are doing, why and how.

In this recession, a strong focus on retention objectives will pay, and this includes not just products and propositions, but collecting data on attitudes and behaviour to support conclusions about which customers are at risk and what is needed to stop them doing this. However, sharing these insights with the whole organisation and using them to drive strategy is still a weak area in many companies. Great advances in the management

Today, when it comes to the professionalism of loyalty and retention management, companies vary quite dramatically.

of customer data and in its applicability to customer retention are useless unless they are properly communicated throughout the marketing department—and other departments, such as customer service, that depend upon them.

What is particularly bad about using customer satisfaction is that it can divert resources and management effort from the main aim of the supplier. It can even obscure whether it is being reached.

A Focus on Customer Satisfaction Can Be Misguided

One particular area of weakness is the research area. Sadly here, customer satisfaction (and its latterday simplistic and unreliable substitute usurper, Net Promoter) often holds sway. Recording customer satisfaction is a bit like recording waiting time in the surgery, whether the receptionist was pleasant or whether the doctor made the patient feel confident in the diagnosis—irrespective of the success of the treatment. What is particularly bad about using customer satisfaction is that it can divert resources and management effort from the main aim of the supplier. It can even obscure whether it is being reached. This applies whether that aim is to make the patient better, to educate, to provide good investment returns, to provide a car that is safe to drive and has low maintenance costs, to help the customer get their crash-damaged car back quickly and in a safe state while providing an appropriate replacement car (our recent research shows that this is rare), or to provide a safe, timely, journey from A to B. I wonder whether we have drawn the wrong conclusions from industries where the kinds of variables measured by customer satisfaction are actually part of the core service—such as timeliness of arrival or trains and flights.

Many companies are struggling their way towards this conclusion. The term “customer service” has changed into “customer experience”, and management is starting to get interested in the long term experience, not just the immediate transaction experience. This is good, because the longer the period, the more management must focus on whether the product or service actually performed for the customer, as promised to the customer. The longer the period, the more management must focus on whether the enterprise—with its objectives, processes, systems and staff—is really focusing on meeting customers’ needs rather than keeping them happy in the short term.

Professor Merlin Stone

WCL

Merlin is one of the UK's top specialists in changing organisational capability to meet the needs of customers and stakeholders. This includes key account management, sales and marketing management and delivery, customer relationship management, database marketing, call/contact centre management and customer service. His experience covers many sectors, including arts and culture, automotive, charities and other not for profit organisations, energy, financial services, information and telecommunications technology and services, pharmaceutical, public sector, retailing, travel and transport and utilities. He also trains, coaches and mentors senior managers, especially but not exclusively in companies where he is working as an advisor.

He is Research Director and Director responsible for the Customer, Citizen and Stakeholder Management Practice at WCL, specialists in change management and customer/stakeholder management. In this role he provides consulting, training, public speaking, public relations and coaching services. He is author or co-author of many articles and thirty books on transforming marketing, sales and customer service capabilities, including *Up Close and Personal – CRM @ Work*, *Customer Relationship Marketing*, *Successful Customer Relationship Marketing*, *CRM in Financial Services*, *Key Account Management in Financial Services*, *The Customer Management Scorecard*, *Consumer Insight*, *Marketing Revolution and Business Solutions on Demand*.

The UK's Chartered Institute of Marketing listed him in 2003 as one of the world's top 50 marketing thinkers, while NOP World nominated him in 2004 as one of 100 most influential individuals for their input and influence on the development and growth of e-commerce and the internet in the UK over the previous 10 years. He is an Fellow of the Chartered Institute of Marketing and an Honorary Life Fellow of the UK's Institute of Direct Marketing. He is also on the editorial advisory boards of several academic journals and writes for several trade publications.

He has a first class honours degree and doctorate in economics from Sussex University, UK. In parallel to his business career, he has also pursued a full academic career. He has held senior academic posts at various universities. He is now a part-time professor at Bristol Business School and a visiting professor at several others.

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Building the Case for Customer-Centricity

How to Make Your Customers and the CFO Happy

Bob Thompson, USA

CustomerThink's 2008 research found that customer-centric champions often struggle to make a business case based on creating differentiation and long-term customer loyalty. The economic downturn will no doubt make matters worse. This article will illustrate three strategies to make customer experiences relevant while delivering a solid benefit to the enterprise: (1) Focus your attention. Use customer analytics to determine what matters most in the end-to-end customer experience; (2) Fix the root cause. Improve customer experiences and save money by eliminating the problems that drive customer service workload; (3) Personalize the business case. Instead of building a case for the "greater good" of the company, show exactly how you will solve a key problem of the sponsoring executive.

...based on 31 years of research, shows that employee engagement influences customer engagement, which ultimately drives the organization's profit and growth.

CustomerThink's 2008 study found that delivering a great experience is a crucial part of being customer-centric. Unfortunately, we also learned that it can be very difficult to make a compelling business case based on creating differentiation and long-term customer loyalty. The economic downturn will no doubt make matters worse.

There's no lack of research that shows customer-centric leadership can pay off on the top and bottom line. ACSI data has been shown to predict individual firm performance such as corporate revenue and earnings growth and stock market performance. In *The Value Profit Chain: Treat Employees Like Customers and Customers Like Employees*, authors James L. Heskett, W. Earl Sasser, Jr., and Leonard A. Schlesinger conclude, based on 31 years of research, that employee engagement (satisfaction, loyalty and commitment) influence customer engagement, which ultimately drives the organization's profit and growth.

And yet we find that most business leaders are unmoved by these studies. When it comes time to build the business case for investing in a customer-centric approach to doing business, it's exceedingly difficult to answer an executive's question: "What do I get for that?"

When times get tough, it's tempting to put "customer-centricity" on the back burner. But it doesn't have to be that way. To weather the economic storms ahead, it's critical that you reach out to your customers, fix lose-lose problems, and personalize the business case for both sponsors and stakeholders.

Reach Out

Think about what that term "customer-centric" really means: giving customers what they want. If you can deliver a better total value than your competitors, and do it at a competitive cost, you'll win in good times and bad.

In general, our research has found that customer experiences (interactions with a brand) are weighted about equal in creating loyalty with the core product or service being purchased. Price is not a loyalty driver. That said, what customers perceive as valuable can change. A necessity in good times may be viewed as a luxury when paying the rent is a challenge.

The key question is this: Do you know what is driving your customer decisions now? If not, the first order of business is to reach out to your customers and find out what they are experiencing in their lives. You may find that they're looking for a better deal, but dig deeper and you'll discover that experiences are still important and can swing decisions in your favor and help retain customers.

By reaching out, I don't mean just launching yet another survey. There is a role for statistical analysis, to be sure, but now is the time for executives to get on the phone or meet with key customers and have a real dialog. Show them that you care. Learn what's most important in the solutions they need. Offer to be a partner through the hard times.

These conversations will not only help you make better decisions during the downturn but will also strengthen relationships that will pay off in the future.

Fix Lose-Lose Problems

Let's face reality. In a down economy budgets will get whacked. That includes contact centers—a critical point of interaction for most consumer-focused companies. Does the customer experience need to suffer? Not necessarily, if cuts are made with a scalpel instead of a machete.

Instead of building a customer experience plan around growing revenue, build it around efficiency and retention. Advanced analytic tools can help. For example, speech analytics can help you “mine” the actual voices of customers in call center audio recordings, to reveal opportunities to fix the root cause of problems that frustrate customers and cost your money.

At Blue Cross of Northeastern Pennsylvania, customer service director Bob McDonald wanted to learn why customers were calling. Sure, agents can note in their records that customers were calling about a benefit, claim or other issue, but he said this didn't “give me actionable items to work on.” So McDonald turned to a speech analytics solution to get to the root cause of the calls.

In the fall of 2007 the insurance company experienced extremely high call volumes. Speech analytics enabled McDonald to validate that a recent system change caused the spike, and give him “ammunition that the problem really needed fixing.” In another case he discovered to his surprise that

*The key question
is this:
Do you know what
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customer decisions
now?*

customers were circumventing processes to get faster service. Customers are clever like that. Armed with this insight, he changed the call flow and improved agent training.

Budgets cuts may be a painful reality, but you don't have to share that pain with your customers. You can use insights gained from analytics to improve the customer experience while operating more efficiently.

Personalize the Business Case

When it comes time to allocate funds, many customer-centric champions find themselves face-to-face with a funding executive asking a simple question: "Why should I do this?"

To make matters worse, the next question may be: "Who else is on board?" In other words, is the initiative going to help a key functional area, and is that manager willing to back the effort?

This is precisely what happened to Krista Sheridan, a marketing manager at Canadian telecommunications firm TELUS. Sheridan initially made a high-level business case that launching an extensive customer experience research project would pay off by addressing major customer frustrations.

But then, executives decided to re-evaluate budgets and Sheridan's team had to start over. This time, instead of a grand and glorious plan, they concentrated on building coalitions. They met with small groups of marketing, sales and customer service leaders to explain how their research would create actionable data. Most importantly, they crafted a personalized "what's in it for me?" story for each group.

Funding was restored to move forward with a phased approach, with strong support from top executives and support from within the organization. And, as a side benefit, Sheridan got more than a budget—she got real commitment to make the effort a success. You see, the key people all believed that the project would be personally helpful.

Now What?

Congratulations, you've got funding. That's an important battle, but remember the goal is to drive real business results. That means continuing to answer the WIIFM question with your reward systems.

Our research finds that about 70 percent of companies have significant room for improvement in this area. To consistently deliver a more effective and efficient experience, don't forget to use appropriate tangible and intangible rewards to encourage the behavior you seek.

Budget cuts may be a painful reality, but you don't have to share that pain with your customers.

Bob Thompson

CustomerThink Corp., USA

Bob Thompson is founder and CEO of CustomerThink Corporation, an independent research and publishing firm specializing in customer-centric business management. He is also founder and Editor-in-Chief of CustomerThink, the world's largest online community dedicated to helping business leaders develop and implement customer-centric business strategies.

Since 1998, Mr. Thompson has researched the leading industry trends, including partner relationship management, customer value networks, CRM best practices and customer experience management. In January 2000, he launched CRMGuru.com, which serves 300,000 business leaders monthly through its web site and email newsletters. CRMGuru.com was renamed CustomerThink in April 2007. Mr. Thompson is co-author of *The Blueprint to CRM Success*, and author of *Customer Experience Management: A Winning Business Strategy for a Flat World*. He is a popular keynote speaker in conferences and seminars worldwide.

Throughout his career, Mr. Thompson has advised companies on the strategic use of information technology to solve business problems and gain a competitive advantage. Before starting his firm, Mr. Thompson had 15 years of experience in the IT industry, including positions as Business Unit Executive and IT Strategy Consultant at IBM.

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Proving the Customer Experience Saves Money

Colin Shaw, UK

With the credit crunch all around us, the powers of darkness, the people who want to treat customers as transactions, are gaining strength with each shocking headline. Now is not the time for customer focus, now is the time to focus on costs and efficiency is their cry! At the same time a noble group of customer focussed Crusaders are desperately looking for weapons to fight this darkness and banish them from the company once and for all. A number of Crusaders have discovered a secret weapon; how a customer experience initiative will save money and increase revenues. In this article we will reveal how this can be done. We will show you how to fight the powers of darkness and win!

*Customer
Experience
initiatives...*

*...an opportunity to
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competition.*

I always remember watching a film of a racing driver in the late '50s. He had just won a race where there was a fatal accident. He was asked, "After seeing the accident, did you slow down?"

His reply has always stayed with me. He said this:

"Whenever there is a bad accident, other racing drivers slow down. I don't. I see this as my opportunity to win. I accelerate and drive harder than before. As others slow down, I pull ahead of them and win".

This, for me, is the same as the current challenges in the world economy. Most organizations are facing a decision about what they do about their customer experience initiatives. Some are choosing to stop or slow down. This is good news for those deciding to continue as it provides an opportunity to put space between them and their competition.

The Inside-Out View

So what is causing people to slow down or stop their customer experience initiatives? Maybe I am showing my age but having worked in big business all my adult life I bear the scars of previous recessions. At this time typically the "Powers of Darkness" gather force within the organization. The Powers of Darkness are the people who have never really believed in the benefits of improving the customer's experience. They think cost cutting and efficiency is the answer to everything.

The Powers of Darkness are "inside out"; they look at what is good for the company and impose that on the customer. They consider that customer is just a transaction to be processed. They see this as their moment after that ridiculous time the organization spent flirting with customers. As the recession grows, the Powers of Darkness are starting to cast their shadow far in the organization. Playing politics, they will profess their support for the customer work but "now is not the time". Now, they say, is the time to

cut costs, to retrench, now is the time to become more efficient. They say, “When times are better, we will relook at improving customer experience.”

This doubt spreads, and the clouds eventually overshadow the fledgling shoots of a customer-focus approach. Ultimately, they wither and die. Customer experience is wrongly seen as a luxury, not an essential.

So how do we fight the good fight against these Powers of Darkness? Well I believe we need to beat them at their own game. We need to show how by improving the customer experience the organization can save cost.

Improving the Customer Experience Saves Money

When I was VP of Customer Experience at BT we conducted research which highlighted customers were unhappy with the delivery times on private circuits. To address, this we pulled together a business case and presented this to the finance committee. This was a group full of the chief Powers of Darkness in the company. Our case was rejected as “it would cost too much money”. Disillusioned, I returned to my office to lick my wounds and pondered on a different approach. We needed to look at the problem through a cost saving lens I decided. Over the coming months we discovered 45% of orders were put into escalation the day after being placed. This started a whole chain of costly events not examined before. We calculated the cost and then went back to see the Powers of Darkness. “We have found a great way of saving costs!” I proudly announced “...oh and it would improve the customer experience as well”. They loved it!

This change saved them a great deal and improved the Customers experience.

Getting it Right First Time

Working with Yorkshire Water, a water utility in the UK, we were able to show their efficiency measures in the call centre were causing poor diagnosis of faults. This was then causing repeat visits by engineers as they did not have the correct equipment. This then caused the customer to be unhappy as they had to take more time from work to be there when the engineer arrived.

When you consider a call into the call centre costs \$6 and a visit by an engineer \$300 (numbers representative not actual) clearly diagnosing the problem with the cheapest resource is crucial. This change saved them a great deal and improved the customers’ experience. In fact by focusing on improving their customer experience over the years they have reduced their customer complaints from 45,000 to 3,000 per year.

General and Life Insurance Company—A Case in Point

The following are examples for just one client which hopefully shows the enormity of the savings that can be made by focusing on improving your experience.

Crashing a car

We were asked by this client to review the “motor claims” experience. To put some scale on this they processed 1 million claims every year. They provided us with a car, we insured it and then a few weeks later crashed it! I won't bore you with everything that happened but for one example of saving costs was when the accident recovery truck arrived to pick up the damaged car and the customer (our consultant). Our consultant asked for the car to be dropped off at our offices 5 miles away as he had an important meeting to attend.

The recovery truck driver refused. “Our policy states we must take you home”. Home was 100 miles away! The cost of dropping the car and our consultant at the office was far less than travelling 100 miles. A simple change in policy helped improve this experience and save costs.

What day?

“Which day would you like the money taken from your account” a fairly standard question that appeared on the direct debit form for our client. It was discovered that a number of people would write “Tuesday” for example, when what was actually required was a date. This caused a number of forms to be rejected and a special procedure putting in place to get the form changed. As you can imagine the customer was frustrated and it added cost to the business. The solution. Change the question to “what DATE would you like your money taken from your account each month, (recognizing February has only 28 days)”. Again a massive amount of costs savings occurred.

It's in the words

When looking at their experience in the call centre we found that at the end of a call the agents would say “your document should be with you in 4 to 5 working days”. We found that 75% of customers who had this interaction would then phone the call centre back after 3 or 4 days, to check that the document was being sent. This amounted to thousands of calls. On investigation it was discovered the reason the agents were saying “should” was because of their nervousness of the capabilities of the UK postal system. Therefore a simple change in the words that the agents would use to “the documents WILL be with you in 7 working days” solved the problem. Return calls fell from 75% to 6% within days! Again, the customer experience was improved and costs were saved.

This company has saved \$\$\$m in costs by these and many other initiatives. You can do the same.

In summary it would be foolish for anyone to say that businesses do not need to look at costs during a recession. This is a way to deal with the Powers of Darkness by embracing their principles of cost savings and

*A simple change
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showing how improving the customer experience can save money. I guarantee this can be achieved. We have the case studies to show how this can happen. You just need to think outside the box.

Colin Shaw

Beyond Philosophy, UK

Colin Shaw, founder of Beyond Philosophy, the leading experts in the customer experience. Colin is a bestselling international author of three books on customer experience. Beyond Philosophy provides consultancy, training and customer insight research from its offices in London, England, and Atlanta, Georgia in the United States. Beyond Philosophy make a considerable investment each year in providing Thought Leadership. They are world leaders in understanding the emotional aspects of the customer experience. They have many case studies of successful implementation where they have improved an organizations customer experience, increased revenues and saved costs. Beyond Philosophy are proud to have worked with many top companies including IBM, FedEx and Royal Bank of Scotland (RBS).

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Deliver More With Less

Sampson Lee, China

Is your company making trade offs between resources and customers during this economic downturn? Most companies are. They are using conventional approaches and cutting costs at the expense of customer satisfaction, brand loyalty, and sales results. Taking an unconventional path, you can make a paradigm shift from efficiency to effectiveness. By applying the core principles of effective experience strategy, you can reduce spending by reallocating increasingly scarce resources to those touch-points, sub-processes, and attributes that are important in creating positive memories, reflecting differentiated brand values, and driving immediate and repeat purchases. The result? You will enhance your bottom-line and top-line without jeopardizing your brand equity.

Whether you feel good or bad and whether you buy again or not are largely determined by the remembered, not the actual experience.

Every time I queue in the long lines at the IKEA check-out counter, I swear I won't go back. But, over twenty years, I have gone back again and again. My largest share of 'coffee wallet' goes to Starbucks, even though I hate paying more than US\$3 for coffee, especially given its deteriorating quality. I feel badly when I am ignored inside Louis Vuitton shops, but I admit I am willing to pay a significant premium for LV products. These are definitely not good experiences to most customers, but these experiences are effective both for the brands and for their target customers.

Effective Does Not Equal Good

"Are you happy with your recent visits to IKEA, Starbucks, or Louis Vuitton?"

"Hmm..." "Well..." No matter what your answers are, they do not reflect the complete experience you had, but the partial experience you can recall from memory. Whether you feel good or bad and whether you buy again or not are largely determined by the remembered, not the actual experience.

Effective Experience Principle No.1: An Experience is Not Effective Unless it is Remembered

Coined by the Noble Prize-winning psychologist Daniel Kahneman, human beings only remember the peak and end moments during an experience process. What's the point of spending tremendous resources to satisfy customers on every single detail of an entire experience process, if they can only remember a critical few?

Most companies are driven by efficiency; they have been trying their best to perform well across the entire experience process. So, this recession is not necessarily a bad thing for them because they will be forced to cut spending and to re-allocate their resources. If they follow my advice and

have the guts to make a paradigm shift from efficiency to effectiveness, they can drastically reduce spending on most aspects of the purchase experience and focus on excelling at a few critical moments. The result? Deliver a more effective experience with fewer resources.

Customer-Centricity Could Be Wrong

If IKEA chose to follow the voice of the customer, they would have to enhance “Car park”, “Staff service”, “Search and pick stock”, “Check-out” and “Delivery and installation” because these attributes are important to customers but poorly performed by IKEA. However, if the company made these improvements, we wouldn’t have the great IKEA brand we have today.

The dream of IKEA’s founder, Ingvar Kamprad, “Produce quality furniture at an affordable price for the majority of people” is realized by excelling at attributes which reflect IKEA’s core values and are both important to the brand and to target customers. IKEA excels at “Product quality”, “Price”, “Display setting”, “Product trial” and “Canteen”, but does not try to satisfy all their customers’ needs. Even though every single aspect of the IKEA in-store experience is not great and some aspects even induce pain for customers; IKEA remains effective in generating positive memories and delivering brand values.

Effective Experience Principle No.2: An Experience Is Not Effective Unless It Is Branded

In a recession, a branded experience guides companies to focus increasingly scarce resources on Moments of Differentiation (MOD)—the critical moments or attributes which are important to customers and to the brand—and limit pain to an acceptable level. Following the voice of the customer without a focus could be misguided. Customer-centricity makes your customers happy, but it is the branded experience which makes them loyal. Need evidence?

Based on our global customer experience surveys on Starbucks, Louis Vuitton, and the Cosmetics, Automotive and Financial Services industries, covering a total of 135 customer segments with over 11,000 respondents, the highest Net Promoter Score (NPS), ranging from +81% to +97%, was achieved only when a branded experience was delivered, that is customers experience both high levels of satisfaction and brand differentiation. NPS dropped significantly when customers experienced high level of satisfaction only.

In a recession, a branded experience guides companies to focus increasingly scarce resources on Moments of Differentiation—the critical moments or attributes which are important to customers and to the brand...

We Need More Pain

Though no one will deny Louis Vuitton is a successful brand, it doesn't seem that they provide a good retail experience—unless you're a celebrity or dress like the rich & famous, the sales staff usually ignore you. None of us like to be ignored, but since this pain is so intense, it's strong enough to trigger our Psychological Immune System to rationalize our suffering for something of great value. In this case, the great value is exclusivity, the most critical need of Louis Vuitton target customers and the core brand value, and this exclusivity is significantly perceived during the experience process. Thus, Louis Vuitton is delivering an effective and a branded in-store experience, though it may induce some pain and is not necessarily a good experience.

Recession is a known fact. Reduced budgets are a reality. You can choose to deliver more (effectiveness) with less (resources).

Effective Experience Principle No.3: An Experience Is Not Effective Unless It Highlights Contrast

Well, it doesn't seem logical. Think about queuing at Starbucks, DIY service at IKEA and flights without meals on Southwest—these are examples of pain within an experience. Why do customers stand for these negative attributes? Because the messages about their Branded Experience let customers know that they are not coming to Starbucks for speed and efficiency, they are not coming to IKEA for excellent service and they are not coming to Southwest for food. Allowing some pain in the process not only helps to highlight the contrast with the pleasure peaks of the experience, but also to free up resources, especially important in a recession. Not persuasive?

IBM generates the deepest pain (price) to B2B customers, but 757 IT managers and buyers rank IBM as the “most liked” B2B purchase experience among 14 vendors. By maximizing the Pleasure-Pain Gap (PPG) between pleasure peaks (service) and pain peaks (price), IBM can reallocate resources away from pain peaks to generate the paramount pleasure peaks. Contrast helps when optimizing (or minimizing) resources and drives customers to push the BUY button.

Recession is a known fact. Reduced budgets are a reality. You can choose to deliver more (effectiveness) with less (resources). It is a matter of how you play the game, in either economic boom or doom. For those smart enough, a recession might just be a better time to win!

Sampson Lee**G-CEM**

Sampson Lee, the founder of G-CEM, has invented three U.S. patent-pending customer experience management methods: the Branded CEM Method, the Customer Experience Research Method and the Purchase Experience Assessment and Optimization Method. He applies modern psychology and human behavior disciplines to business practices to create effective customer experiences for today's business organizations.

Lee's three methods combine the art and science of Customer Experience Management (CEM) in experience innovation and assessment. They work synergistically to discover the three critical moments during an experience process: moments-of-truth at experience (for service), moments-of-differentiation (for brand) and moments-of-buying (for sales), to design the most effective experience for target customers.

Lee and his International Partner team deliver the Global CEM Certification Program in Amsterdam, Dubai, Hong Kong, London, San Francisco, Shanghai, and Singapore. To reach Lee or to ask for a copy of the "Effective Experience Framework" white paper, please email to alice@g-cem.org.

www.g-cem.org

Some Practical Tips for Ways to Save Money Without Losing Customers

Jan Hofmeyr, Ph.D., South Africa

This recession is likely to be long, not short. That means that most people and almost all businesses will come under pressure. Cuts in business spending are therefore inevitable. The key is to know how to save so as to create or maintain competitive advantage. I offer four practical tips:

- *When times are tough, the focus on a rigorous analysis of potential losses that may follow cuts is key.*
- *Do not break a promise. Before you cut make sure you understand the extent to which people may feel you're reneging on a promise.*
- *Symbolic rewards count for more. This is an obvious principal that applies in both good times and bad.*
- *'We're all in this together' i.e. attitude is all important. Focus on the pressure your customers are under. Innovation and appreciation will follow.*

Often, it's easiest to cut in areas where tangible returns aren't obvious.

People spend less in recessions. They shift their spending to cheaper goods and services; or, in some cases, they cut spending completely. Different services are affected differently. Banks see their revenues and profits cut by increases in bad loans and decreases in transactional activity. Airlines and hotels see theirs cut by decreases in traffic. And retailers find that people spend less at tills.

Anecdotal evidence suggests that service providers who are known for value (e.g. Wal Mart in retailing; Ryanair in airlines) may see an initial uptick in business as people trade down. But long recessions eventually impact on every business.

At the moment, experts are divided as to how long this recession will be. My view is that it will be long.

So—how important is customer experience management as businesses hit the bad times? Can we make an argument for defending spending with respect to CEM. The natural tendency of business managers in downturns is to cut spending. The challenge they face is: what should they cut? Often, it's easiest to cut in areas where tangible returns aren't obvious. And often what we call 'marketing spending', of which CEM may be seen to be a part, is close to the top of the list. Is this sensible?

I will spend the rest of this article examining that question.

The Nature of Commitment

The benefits to a business of CEM are relatively easily stated. Enhanced experiences should lead to greater customer commitment. And we know that committed customers:

- Stay with a business longer
- Devote a greater share of their category spending to it
- Are prepared to pay higher prices
- Ignore competitive marketing activity

The more committed a service provider's customers are, therefore, the better positioned that business should be to survive a downturn.

But it's not that simple.

Even in good times we experience difficulty ensuring that the money spent on creating an enhanced customer experience leads to a payback. One of the greatest challenges CEM managers face is the problem of 'habituation' i.e. that customers become used to the things you do to delight and surprise them. They then take those aspects of the experience for granted and the quality of the experience fades.

A second challenge is that effective innovation on the CEM side of things will be copied by competitors if it can be. So it's often difficult to maintain competitive advantage when it comes to CEM.

Recessions add to the challenge of customer experience management by introducing a third problem: even if they want to, many people will simply not be in a position to continue doing business with you.

Spending cuts are therefore inevitable. The key is to ensure that they're sensible.

Some Practical Tips to Save Money Without Losing Customers

If spending must be cut, then the best we can do as customer experience managers, is ensure that it's cut in ways that position our business better relative to competitors, rather than worse. Here are four practical suggestions:

i). Knowing what can and can't be cut

It's a well known fact that the gains that come from specific investments in CEM (e.g. employing more frontline staff so that queues are shorter) may not be symmetrical with the losses that result from cutting them. In good times, our focus tends to be more on the upside i.e. on what investments

One of the greatest challenges CEM managers face is the problem of 'habituation' i.e. that customers become used to the things you do to delight and surprise them.

we should make. In bad times, by contrast, the focus should be rigorously on the downside i.e. on being certain what it might cost to cut certain services. The winning businesses will be those that have the best insight as to what must be maintained and what can be cut.

ii). Do not break a promise...

... unless you absolutely have to! Human beings the world over respond very badly when promises are broken. An obvious target, in this regard, are loyalty programs. People see loyalty programs as promissory notes. They are the businesses' way of saying 'thank you' for spending that's already occurred. If you have to 'break your promise' (as it were), bear in mind that people will take it personally.

iii). Symbolic rewards count for more

This is a simple tip that goes for good times and bad. It's based on the observation that people often respond more strongly to symbolic rewards than sheer monetary rewards. This is especially useful when it comes to high value customers. How do you reward someone who is wealthy? A cash rebate may count for little. But a similar sized donation to a needy charity, especially in bad times, may count for a lot more. And don't bother to spend money on expensive customer junkets.

iv). We're all in this together...

This is perhaps the most important piece of advice I can offer. Businesses are under pressure in recessions because their customers are under pressure. One of the most important things you can do is signal to your customers that you understand the problems they may be having; and respond by trying to accommodate them. In many businesses this may mean that the decision has to be taken away from machines for a while (many businesses have handed decision making over to machines, scoring systems, etc.). Flexibility and service innovation will be appreciated in tough times.

Conclusion

It's important to remember that it's not just your business that's challenged by a recession. All businesses are. All businesses will therefore be facing the challenge of what to continue and what to cut. Usually, there is plenty of 'fat' than can be cut (from head office, for instance) as the good years come to an end. Perhaps the most important lesson is: don't treat CEM as the first stop. It is the marketing space where you interact with your customers. Put yourself in their shoes and appreciate how much you have to gain by being smarter than your competitors.

Businesses are under pressure in recessions because their customers are under pressure. ...signal to your customers that you understand...

Jan Hofmeyr

Synovate

Jan started life as a lecturer in comparative religious studies at the University of Cape Town. In 1986 he developed a theory of commitment and conversion which became the basis for a brand equity system called 'The Conversion Model™'. The Conversion Model™ is now the most widely used measure of customer commitment in the world.

Jan ran the Conversion Model™ business until 2005. In 2006 he joined Synovate as International Director of Innovation in the brand and communications space. In the two years he's spent with Synovate he's successfully redesigned and launched their new approaches to customer commitment and communications measurement. Jan lives in Cape Town, South Africa where he runs Synovate's BrandLab.

CEM on a Shoestring

Lynn Hunsaker, USA

Creative use of existing data and processes can propel customer experience improvement without a big budget. Systematic analysis of customer data serves as an essential guideline for customer experience listening, innovation, internal branding and affinity development. Holistic deployment of these strategies and tactics involves employees at every level and in every department in 'living the brand' for big gains in customers' experiences. An economic slowdown is a window of opportunity for re-aligning culture, processes and innovations for sustainable differentiation that reaps big rewards for the company and customers alike.

Proven winners both during and after a down cycle are those that embrace a slowdown as an opportunity to strengthen innovation and business processes.

Great strides in customer experience improvement are attainable with minimal out-of-pocket investment. Most companies have a wealth of untapped resources within. Proven winners both during and after a down cycle are those that embrace a slowdown as an opportunity to strengthen innovation and business processes. This strengthening better aligns offerings and ways-of-doing-business in ways that matter to customers and are hard for competitors to copy.

Latent Information

Consider the customer data residing in survey reports, complaint logs, service and sales call reports, CRM databases, win-loss analyses, the blogosphere, and so forth. If they are pieced together, a broader and deeper picture of the customer experience emerges. A small team might peruse these disparate sources to create or enhance customer segment personas. Valuable new customer experience insights can extend the typical persona definition from buying-decision-focused toward a panoramic view of the full customer experience spectrum. This spectrum should be defined through customer interviews, and it typically begins with the customer's awareness of a need or desire for a solution and extends through the customer's full use of the purchased product or service, including use after new models have been released as well as eventual downgrade, upgrade or disposal. With these new insights, myriad opportunities become apparent.

Prioritization

Customer lifetime value (CLV) is the cumulative profit stream over the duration of a customer's interest in a brand category. CLV may be revised to sharpen prioritization of the panoramic customer experience persona segments. Prioritization can aid executives' strategic decisions and customer-facing employees' tactical decisions. To enable CLV-based decision-making, provide executives and customer-facing employees with tools that keep CLV policies top-of-mind. CLV prioritization also aids customer listening strategies and experience improvement initiatives.

Listening

Referring to the customer experience personas and CLV findings, evaluate customer sentiment monitoring methods. Is the customer's full experience reflected? Are CLV-prioritized segments represented accordingly? Is there adequate representation of customer sentiment influencers across the customer experience spectrum? Does it incorporate the typically latent data listed above to provide a panoramic view? Are employees at various levels personally involved in formal customer listening? Your answers to these questions indicate whether your data collection needs to be adjusted for higher return on investment regarding its use for innovation, internal branding, and affinity development.

Innovation

Expand innovation horizons to include the full customer experience spectrum. Inspire development teams by streaming customer listening data, CLV and customer experience personas to them. Involve representatives from manufacturing, customer service, support functions and channel partners along with the development teams in improving products, services, and customer touch points. Touch points are all the occasions when a customer's perceptions may be impacted, and are sometimes referred to as moments-of-truth. These include packaging, billing, information and communications throughout the customer experience spectrum. A broader viewpoint, supported by streaming fresh customer inputs, can propel innovation well beyond competitors' offerings. Customer experience innovation is bolstered by effective internal branding.

“Good news is no news, no news is bad news, bad news is good news”

James C. Morgan,
Applied Materials Inc.

Internal Branding

Customer data streams. To be customer-centric rather than ethnocentric, employees throughout the organization need to be plugged into customer sentiment data streams. Through meaningful dispositioning of the latent data sources listed above, each department can receive data that is pertinent to their stewardship. This sharpens understanding of their impact on the customer experience spectrum. Adoption of a mantra such as “Good news is no news, no news is bad news, bad news is good news” (attributed to James C. Morgan, Applied Materials Inc.) can make it easier for employees to accept customers' constructive feedback. Treat customers' complaints and negative ratings in a concerted manner similar to an RMA (returned materials authorization) process. Help departments take ownership for their specific impact on the customer experience by providing worksheets and reporting forms they can use to create and monitor action plans. Motivate follow-through and ongoing momentum through management visibility, recognition programs, and incentives criteria.

Snowball effect. A typical business process is deployed by several departments, creating a value chain of internal customers. Timeliness

and quality of handoffs throughout this internal value chain snowball exponentially toward revenue-generating customers. After characterizing each department's ultimate objectives by their impact on the external customer experience spectrum, customer-centricity can be further improved by emphasizing internal customer satisfaction and internal supplier quality. For internal supplier quality, a process owner can communicate proactively with those who provide inputs to their process. It's surprising how often this seemingly simple step is not enacted. Effective handoffs typically result in smoother processes and fewer customer hassles.

Culture. Weave customer experience improvement objectives into existing business practices such as staff meetings, operations reviews, the annual operating plan, performance reviews and internal communications. Include customer-centric messages prominently in intranet pages, internal newsletters, war rooms, break rooms, bulletin boards, cafeterias, and lobbies. Be creative and thorough. Consistent emphasis in simple ways is a defining factor in nurturing a customer-centric culture.

Rewards. "You get what you measure" and "you get what you reward" are watchwords for customer experience improvement. Scrutinize employees' perceived weightings of performance metrics. It may be that the behaviors elicited by these perceptions are not the behaviors that management intended to motivate. Avoid sub-optimization by balancing metrics and incentives, and by double-checking alignment with intended outcomes.

These internal branding initiatives can pay excellent dividends in customer experience improvement through prevention of customer hassles and heightened customer-centricity.

Affinity Development

Customer experience personas and CLV are important reality-checks in developing marketing campaigns. Simple tools can keep CLV policies top-of-mind and stream relevant customer sentiment data to marketing and sales departments. With this guidance in creating ads, promotions, and sales presentations, stronger results can be achieved in customer affinity for the brand, spurring positive word of mouth, and further increasing market share and CLV.

CEM on a Shoestring

Be creative and thorough in maximizing customer data usage. Revive latent information, channel relevant streams throughout the organization, and emphasize the customer experience spectrum in innovation, internal branding and affinity development. By using existing data and processes in new ways, great strides can be made in customer experience improvement.

"You get what you measure" and "you get what you reward" are watchwords for customer experience improvement.

Lynn Hunsaker

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Lynn Hunsaker is a customer experience strategist and founder of ClearAction, where she mentors executives in customer experience optimization to deliver brand promises, prevent customer hassles, minimize churn, and heighten sustained profitability. Lynn has rich hybrid skills and executive experience in marketing & market research, process improvement & quality, organizational development & change management, and leadership & teaching. She is an AMA Professional Certified Marketer™, ASQ Certified Quality Manager, Qualified MBTI® Practitioner and past president of Silicon Valley American Marketing Association where her team received AMA's Chapter Excellence Award. Lynn has taught graduate and undergraduate courses at UC Berkeley Extension, SJSU and Mission College. She earned psychology and marketing degrees at Brigham Young University and an MBA at Vanderbilt University.

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The Way to Your Customer's Heart is Through Your Employees

Jenny Belser and Naras Eechambadi, Ph.D., USA

Two key factors can enhance the customer experience. First, the engagement and involvement of front line employees. The second factor is a clear strategy for differentiating between customer segments and providing the appropriate experience to the segments based on their needs and expectations. Happy and committed employees are key to a great customer experience. At times like this, employees need reassurance about their own jobs and financial condition so that they can communicate this comfort and security to your customers. They also need to be told which customers to focus on. We will illustrate our point by way of a case study of a major financial services institution.

Given the current economic climate, customers have additional needs for security and assurance from organizations they are doing business with...

The current financial crisis and economic downturn have focused management minds on the problem of how best to safeguard revenues and retain profitability. Doing this in an environment of tightening budgets is particularly challenging. Price reductions and promotions will adversely impact profitability, while not necessarily increasing revenue or unit sales. Reducing overall marketing spend may have a direct impact on revenue. Studies have consistently proven that it is less expensive and more cost effective to retain existing customers than to acquire new ones. It makes sense, therefore, for companies to focus on retention and increasing the value of their customers during this downturn.

One of the primary levers to improve customer retention and loyalty is providing a great customer experience. Although there are many aspects to defining and creating a differentiating experience for your customers, this article focuses on a key, but often overlooked, factor that can help enhance the customer experience consistently and is especially important during a tight economy: the engagement and involvement of front line employees.

Employees Must Feel Secure

Customer facing employees who are committed to the organization and can communicate that commitment to customers are critical to a great customer experience. Many of the 'moments of truth,' significant interactions that influence a customer's behavior with an organization, occur in direct (e.g. face to face, phone or chat) interactions. Given the current economic climate, customers have additional needs for security and assurance from organizations they are doing business with, particularly in financial services and other industries facing major financial pressures. Employees can only communicate a feeling of security and stability if they are feeling reassured about their own jobs and financial condition.

The first step in employee engagement is to listen and understand employee concerns. The forum for listening can take many forms, such as blogs and internal social networks like Best Buy's Blueshirtnation.com or company sponsored meetings and workshops. The most important thing, however, is to provide an open environment where employees can provide input and discuss their true feelings and ideas without fear of reprisal. Also critical to building engagement is using the insight from employees in actionable ways. Employees need to know they are being heard and listened to; it's tremendously rewarding for employees to see their ideas put into action.

Customer Insights and Process Efficiency

Front line employees also can provide observations and insight into customer behaviors and needs, and often have insightful suggestions for improving the experience. At the Gaylord Hotels, for example, management openly discusses ideas for improving the customer experience with employees. Employees provide suggestions for implementing the changes in ways that not only benefit customers but are also efficient and effective for the employees to be able to deliver consistently. In any organization, particularly in the current economic environment, including employees in the process of identifying and developing plans to meet and exceed customer experience expectations while addressing employee needs for security and stability, allows employees to become invested in the process. The success of customer strategies becomes everyone's goals and increases the chances that these objectives are actually met.

Celebrate Employee Success

It is also important to celebrate employee success by recognizing particularly good ideas that have resulted in measurable gains. Recognition may include, but does not necessarily need to be a monetary reward. This generates a virtuous cycle of highlighting your employee recognition program and encouraging others to participate. Wachovia Bank (which is being acquired by Wells Fargo) scored highest among banks in the University of Michigan's customer satisfaction survey for many years running. What is not as well known is that a good part of that success was driven by Wachovia's highly regarded employee engagement and recognition program and customer interactions with front line employees.

Invest in Measures That Make Employees Efficient

Another important element of employee engagement is making it easy for employees to serve customers. This means investing in the technology, training, processes and information that makes it easy for them to do their jobs quickly and efficiently. A major banking client of ours used this lever successfully to improve their customer service over a relatively short

Employees provide suggestions for implementing the changes in ways that not only benefit customers but are also efficient and effective for the employees to be able to deliver consistently.

time. They found that their front line customer service representatives at the branches often had to call into central product and operations areas to get answers to questions or address issues that customers brought to them. These employees had no central point of contact and were often not a priority to the corporate staff to which they needed to go to for resolutions. Setting up dedicated teams within these corporate areas, specifically to help front line employees deal with common issues and address routine questions, went a long way towards reducing the frustrations these employees felt and allowed them to do their jobs faster and to delight their customers in the process.

The economy in the US and the world is not expected to make a significant recovery in the near term. For companies looking to retain customers and continue to succeed in the current environment, meeting the expectations and needs of current customers is paramount. Engaging customer facing employees in a way that empowers them to understand and address customers' heightened needs increases employee morale while reinforcing your brand promise at key moments within the experience. At the same time, employees become advocates for your company, a very credible and effective marketing channel.

Jenny Belser & Naras Eechambad, Ph.D.

Quaero

Jenny Belser is the Director of Customer Experience at Quaero. She has been instrumental in the development of the Touchpoint Navigator, a Quaero proprietary tool that is used to map the customer experience across the entire customer lifecycle and prioritize improvement areas. She has also been involved in the successful implementation of processes and tools to support the successful deployment and adoption of customer experience initiatives. Jenny has worked across many industries, concentrating on the high technology, retail, pharmaceutical and financial services industries during her versatile career.

Prior to Quaero, Jenny was at Peppers and Rogers Group for 6 years where she was involved with developing strategies and vision for managing the customer experience. Prior to joining Peppers & Rogers Group, Jenny was a senior consultant at Zamba Solutions, a systems integration firm devoted exclusively to Customer Relationship Management.

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Naras Eechambadi PhD, the founder and chief executive officer of Quaero is one of the most recognized thought leaders and innovators in marketing today. Since founding the company in 1999 he has helped a variety of companies, in a number of industries, improve the effectiveness of their marketing efforts and marketing technology investments through use of Quaero's proprietary "Six Dimensions of Marketing Performance." The success of this framework has resulted in Naras being one of the most sought after speakers on marketing performance.

Naras is also the author of a highly regarded book on marketing metrics and measurement titled, "High-Performance Marketing: Bringing Method to the Madness of Marketing." Prior to founding Quaero, he held senior marketing management roles for BBDO, McKinsey & Company, First Union (now Wachovia) and The Bases Group (now ACNielsen BASES.) Naras has a PhD. in marketing from the University of Texas at Austin and has taught courses in marketing at The University of Connecticut and The University of California at Berkeley. He currently lives in the Charlotte area with his wife and family.

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Customer Futures Groups

Where are the groups located?

Learning Forums are currently based in London, Dublin, Hong Kong, Sydney, Toronto, Johannesburg, Madrid and The Hague.

We are planning to launch new groups in 2009 in New York, San Francisco, Dubai, Shanghai, Frankfurt, Zurich, Copenhagen and Helsinki.

Who can join?

Membership of Customer Futures is open to a limited number of blue chip organisations per group who are non-competing and non-supplier-side (unless it's a BTB group, of course).

A “no selling in the room” policy applies to speakers and presenters of case studies.

What are the benefits of membership?

Learning - Customer Futures is unashamedly a thought-leading knowledge-transfer organization. It is dedicated to enhancing its members' knowledge of customer experience management—both theoretical and practical—to add value to their employers through more effective customer-impacting strategies and programs.

Insight - The non-competing aspect of the Forum allows members to see behind the veneer of each other's business. A typical case-history presentation to a Learning Forum will contain much more insight, real figures and key learnings than would be allowed into the public domain via a conference platform—so much so that members are required to sign a confidentiality agreement before joining.

The focus on the leading edge of what's happening in the members' priority areas helps keep members abreast of developments and gives opportunities to get ahead of the competition. The outcome of this insight for the member is better-informed decision making.

Experience - A Customer Futures member can tap in to the wealth of experience that resides within the central team, the Facilitator, and the other members.

This happens formally and informally, and can be of huge benefit to a member and their organization if a pitfall can be avoided because of lessons learned from the mistakes and successes of others.

What's required of members?

Participation! Customer Futures forums aren't just mini-conferences for members to attend. Members are asked to commit to the four Forums, and encouraged to come prepared to share their own progress, strengths and weaknesses in the subject area to add to the debate. They are also asked at each Forum how they have applied the learnings from the last session. Members say that the most valuable aspect of Customer Futures is the frank, open discussion with non-competitors, and the resulting problem solving, so it's essential that members feel able to say it "like it is".

Does membership cost?

Yes. A reasonable fee is charged per four-Forum cycle, entitling members to attend the Forums, access the central knowledge base, and join the global CF community. Additional members from the same organization are welcome and are given a discount, as are not-for-profit organizations.

How can I find out more?

If you are interested in membership, please get in touch with us via our website www.customerfutures.com and we will send you our Prospectus and put you in touch with your local market Facilitator.