

Customer Experience Management: Accelerating Business Performance

Part 2 of 2

By Bob Thompson
CEO, CustomerThink Corporation
Founder, CRMGuru.com



June 2006

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About the Sponsor

RightNow (RNOW) is leading the industry beyond CRM to high-impact Customer Experience Management solutions. More than 1,500 companies around the world turn to RightNow to drive a superior customer experience across the frontlines of their business. As a win-on-service strategy becomes a business imperative, Customer Experience Management solutions have become essential for business success. Founded in 1997, RightNow is headquartered in Bozeman, Montana, with additional offices in North America, Europe and Asia. For more information, visit www.rightnow.com.



Executive Summary

When he was taping a documentary on outsourcing, *New York Times* columnist Thomas L. Friedman discovered a funny thing: Indian entrepreneurs wanted to write his software, do his taxes, trace his lost luggage and read his X-rays from Bangalore. He realized that location was no longer a factor in the production of services and merchandise. All it took was knowledge and communication links.

In this way, Friedman says, more than 500 years after Columbus proved the flat-worlders wrong, the world really has become a flat marketplace. Now executives must look for a new competitive edge. The time is ripe for experience-based differentiation.

This is the second of two white papers reviewing CRMGuru research on Customer Experience Management (CEM). In the first, *Customer Experience Management: The Value of “Moments of Truth,”* we defined the customer experience; compared CEM and CRM; and analyzed customers’ expectations for an ideal experience.

In this paper, we turn to the enterprise point of view, looking in more depth at why CEM has become another popular three-letter abbreviation. We’ll analyze the gap between the experiences customers are receiving vs. those enterprises think they are delivering; review the business case for CEM; and present an emerging set of best practices gleaned from our research.

At first glance, CEM appears disarmingly similar to CRM, which should be a *business* strategy to improve long-term loyalty. Because customer interactions with a company form a critical part of the value customers perceive, theoretically CRM should include experience management. As you’ll learn, however, most people consider CRM in practice to be an information-driven approach to customer analysis and process automation. CEM, on the other hand, concentrates on the customer’s value proposition and includes all interactions, not just those that can be automated.

Although CEM’s roots date back 25 years to when Jan Carlzon applied Richard Normann’s “moments of truth” (high-impact interactions) at Scandinavian Airlines, it’s becoming a force in customer management strategy only now. In this paper, we’ll bring CEM leadership practices to life with examples from Hilton Hotels, Intuit, Publix Super Markets and Wells Fargo. With quantitative data from two CRMGuru surveys on CEM, we conclude that managing experiences well can, indeed, boost business performance.

Here are the major findings and conclusions:

- A majority of survey respondents confirm what Friedman suggests—competition *has* been tougher in the last five years, and more of the same is expected in the next five years.
- While enterprise managers do understand the importance of customer experiences, they probably overestimate the quality of experiences they are actually delivering, as customers perceive it.
- Enterprises also tend to overestimate the value of marketing communications and should be careful not to take basic product and price issues for granted while improving experiences.
- IVR systems and off-shoring have helped cut costs but at the detriment of experiential quality. Internet sales/support and training have been more effective.
- Companies that lead in CEM effectiveness, as measured by CRMGuru’s 25-question assessment, generally also achieve double-digit revenue and profit growth.
- Telecommunications and high-tech industries achieved the highest CEM scores, with manufacturing lagging significantly behind.

Does your organization have what it takes to compete in a flattened global marketplace? If you want to do more than pay lip service to delivering customer experiences that truly differentiate, read on for the steps you can take to CEM success.

Why Customer Experience Management?

A “customer experience” is the customer’s perception of interactions with a brand, from marketing communications to sales and service processes to the use of the product or service. “Customer Experience Management” means managing customer interactions to build brand equity and long-term profitability.

Why all the CEM hoopla now?

Have you ever had a hotel stay so good you raved about it? True story: One day, a guest arrived at a Hilton Hotel and was met at the door by the manager, who whisked the person to the restaurant for a get-acquainted reception with the new staff and then served dinner on the house. Breakfast the next morning was also compliments of Hilton. It was just to say “thanks” for the customer’s frequent stays.

Why would a hotel do that? To make guests feel so welcome and loyal that they won’t consider the competition—and will enthusiastically recommend the hotel to friends, relatives and coworkers. You can bet the guest who got the royal treatment is telling everyone about it. After all, the guest shared it with us in an April 2006 CRMGuru survey asking people for their most memorable customer experiences.

As we noted in *Customer Experience Management: The Value of “Moments of Truth,”* the companion to this paper, customers value the quality of their *interactions* with businesses as much as they do the quality of the *goods or services* purchased. Enterprise respondents shared that view, as you can see from this

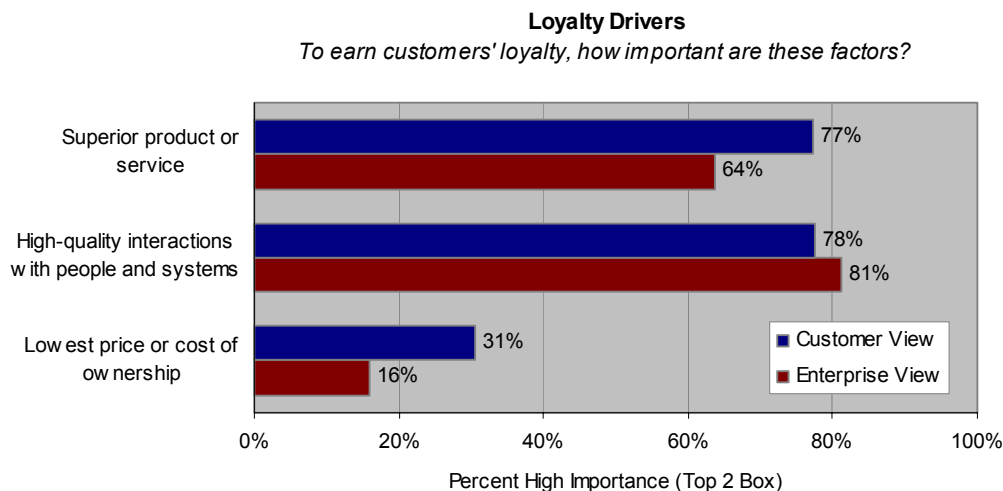


chart. The good news is that positive and memorable experiences tend to drive profit-building behavior: 32 percent of customers say they recommended a supplier to a friend or colleague, and 19 percent say they purchased more products and services. The bad news: Negative experiences lead to customer defections and reduced spending.

The World Is Flat

We’re living in a flattened marketplace, where, thanks to globalization and the Internet, products are becoming commoditized at lightening speed. A majority of enterprise respondents (58 percent) in a May 2006 CRMGuru survey say competition has been getting tougher in the last five years. Nearly the same proportion expects it will be harder to make a reasonable profit in the next five years.

“Sometime in the late 1990s, a whole set of technologies and political events converged—including the fall of the Berlin Wall, the rise of the Internet, the diffusion of the Windows operating system, the creation of a global fiber-optic network and the creation of interoperable software applications, which made it very easy for people all over the world to work together—that leveled the playing field,” said

New York Times columnist Friedman in an interview with Amazon.com. The convergence “created a global platform that allowed more people to plug and play, collaborate and compete, share knowledge and share work, than anything we have ever seen in the history of the world.” Yet, Friedman found that very few business leaders were reacting to this change. And, although many executives today are talking about the importance of the customer experience, few businesses are managing them well.

The same convergence is leading to customers being more vocal about what they like and don’t like about businesses, through web logs (blogs), social networking and pure word of mouth. “I do think we’re in a paradigm shift,” said Paul Greenberg, president of CRM advisory firm The 56 Group. Customer loyalty expert Michael Lowenstein, of Harris Interactive, agrees. He cites international quantitative research that has found that “word-of-mouth has emerged as the dominant communication vehicle for impacting customer decision-making and supplier selection.”

Beyond CRM Systems

In the CRM revolution of the past decade, businesses embraced information technology as the answer to improving relationships with their customers. But instead of forging better relationships, many just implemented customer databases and automated processes. Unfortunately, most CRM “projects” have been focused on monetizing customer relationships without really addressing the customer’s experience as a loyalty driver.

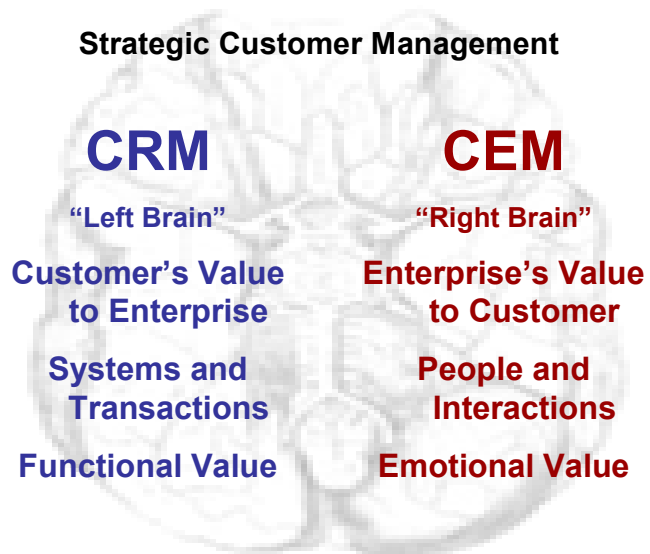
Those businesses that are working to enhance their customer experiences are onto something powerful, because they know that it’s one of the most important ways of making and keeping a business profitable.

CEM helps the enterprise see the customer with the “right brain”—concerned with perceptions, feelings and interactions that are harder to quantify but oh so valuable nonetheless. Instead of just looking at how valuable the customer is to the enterprise, CEM requires an inspection of the enterprise’s value to the customer. Rather than recording such transactional information as leads, opportunities and average handle times, the way many CRM systems do, CEM maps the experience from the customer point of view.

Technology to support CEM could take you far from conventional CRM software, which tends to focus on internal processes. CEM is also more creative, where well-trained, helpful and friendly people play a critical role. In CRM, people are said to be important, but somehow CRM projects are mostly about IT investments that do little to improve the enterprise’s value to the customer.

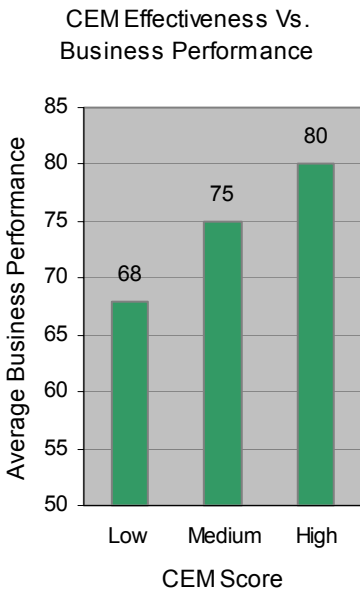
In the ideal world, CEM *should* be part of CRM as a business strategy, but that’s rarely the case. That’s why, in the chart above, we use the term Customer Management to encompass both as-practiced CRM and the new-age CEM. Whatever labels you use, rest assured that top-performing companies are adept at left- *and* right-brained customer management.

In practice, the dividing line between CRM and CEM is blurred. In our research, we found that 80 percent of the “best practices” recommended by CEM experts are the same as those that we’ve proven deliver ROI in CRM projects. For example, the No. 1 driver of CRM success is developing a customer-centric plan. That is also the starting point for CEM.



Improving Business Performance

Hilton is a leading example of a company doing customer experiences right. Others are the oft-discussed Starbucks, Amazon.com and Harley Davidson—along with businesses like Wells Fargo and Intuit. These firms know the secret to building loyalty and growing the business out of it. They make a connection with customers that transcends basic functional value.



Executives striving to deliver superior experiences to their customers are doing it for solid business reasons. Consider Wells Fargo & Co., which made a strategic decision in 2003 to invest heavily in its call center business to build a base of satisfied customers over a vast banking network. Corporate executives “recognized the importance of a service channel,” said Bruce Withers, vice president, Contact Center Technology, based on the belief that satisfied customers would be more loyal and receptive to considering additional products.

Does it really work? Wells Fargo has had double-digit profit and revenue growth. It is ranked first in cross-sell among retail banks (at 4.8 products per customer). And *Forbes* magazine in 2004 named Wells Fargo the best-managed company in U.S. banking.

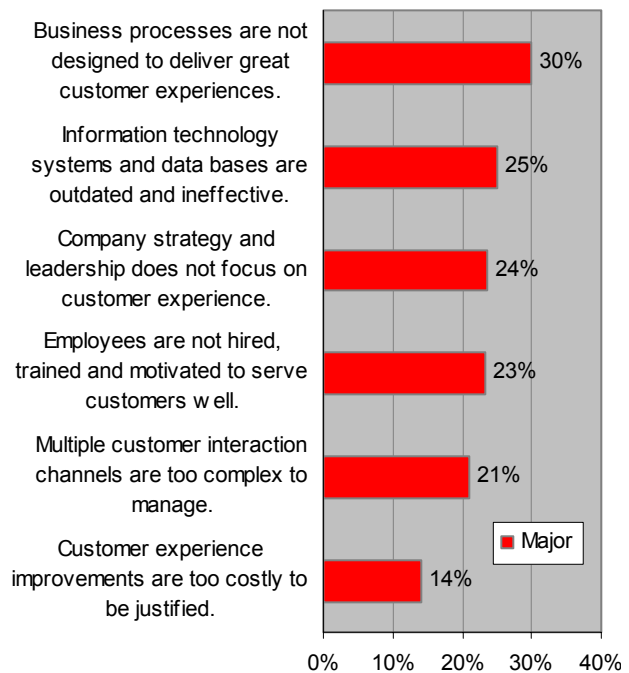
CEM leaders don’t focus on the customer just to feel good—they see it as a successful *business* strategy. CRMGuru research bears that out, showing a strong relationship between CEM effectiveness scores and business performance (revenue and profit growth). Obviously, customer experience isn’t the only factor in business success, but it’s clearly an important one.

Hilton leaders see managing the customer experience as the only way to compete in what executives deem a two-horse race with rival Marriott—and the only way to control branding in an organization with both corporate and franchise facilities, according to Jim VonDerheide, vice president, CRM Strategies.

Intuit cofounder Scott Cook found that as profits at the financial software company grew, the company direction moved out of focus. Worse, market share in the web-based segment for industry-leading TurboTax software had dropped by more than 30 points from 2001 to 2003. Too many decisions were being made with an eye solely on profits, rather than on customer happiness (Fred Reichheld, *The Ultimate Question*, Harvard Business School Press, 2006).

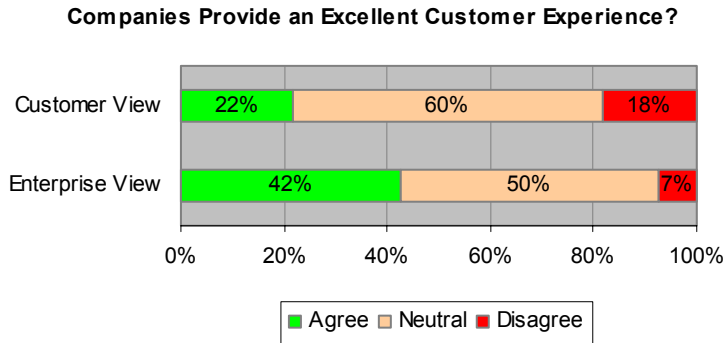
What’s preventing companies from delivering excellent experiences? In our survey, enterprise respondents say the top two obstacles are poor processes and information systems. But leadership, employee skills and channel complexity are also factors. Cost was the lowest-ranked issue.

Obstacles to Providing a Consistently Excellent Customer Experience



The Experiential Chasm

In CRMGuru’s online survey of customers, conducted in April 2006, only 22 percent of respondents agreed that companies “currently provide an excellent customer experience.” Enterprises have a more positive view, compared to customer respondents. Nearly double (42 percent) felt their companies were doing an excellent job, and less than half (7 percent) thought they were doing a poor job.



A Bain & Co. study of 362 firms in 2005 painted a bleaker picture. Bain found that 80 percent of respondents believed they delivered a “superior experience” to their customers. Yet, the same study found that only 30 percent organize functions to deliver superior experiences, and 30 percent maintain effective feedback loops.

That may explain why only 8 percent of customers agreed they were receiving a superior experience. Bain concluded that

this “delivery gap” was in part because of growth initiatives that did more damage than good, such as adding fees and chasing new customers instead of taking care of current ones.

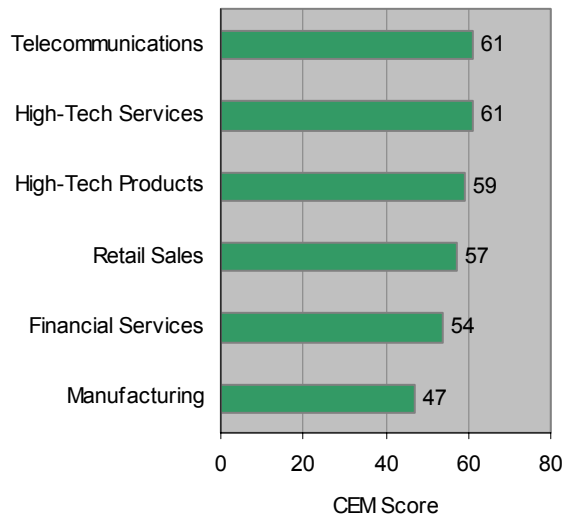
In a study on customer experience, published in March 2006, consumers told Harris Interactive that if they received consistently excellent service, they would be more likely to increase their business with an organization. A majority of consumers had stopped doing business with an organization with which they had had a negative experience. Yet, the study found that *almost every U.S. customer surveyed* had had a negative customer experience in the previous year.

The bottom line: Companies tend to overestimate how happy their customers are with the experiences they are receiving. In CRMGuru’s study, we measured CEM effectiveness with a 25-question survey on strategy development practices, goals and metrics definitions and usage, organizational alignment, experience redesign and technology usage. The composite scores ranged from 47 (on a scale of 0 to 100) for manufacturing to 61 for telecom and high-tech services.

It’s interesting to note that the intensely competitive telecom and high-tech industries achieved the highest scores, with retailers only slightly behind. Financial services, though, lags well behind, and the slower-moving manufacturing (non-tech) industry clearly does not see CEM as a top priority, yet.

With few coming close to the “perfect 100” score, there is considerable room for improvement. Enterprises need to understand their own “delivery gap” and develop plans to close it. Later on, we’ll describe a five-element framework to accomplish just that.

CEM Effectiveness by Industry

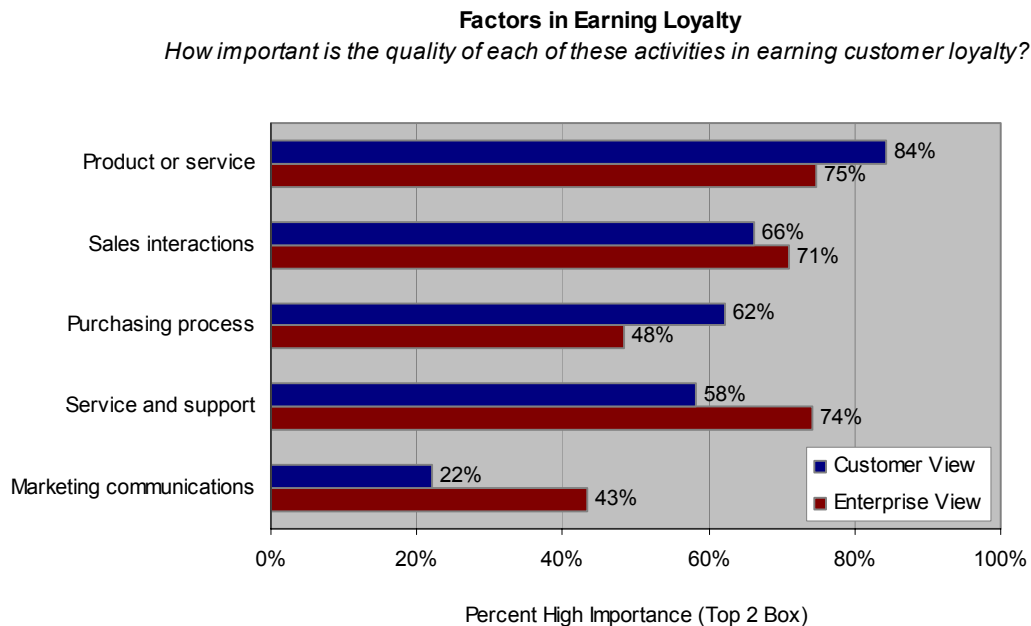


What Drives Loyalty?

In CRMGuru's survey of customers, more than 600 respondents delivered 2,000 industry ratings based on their own experiences. We asked respondents to rate the importance of three factors in earning their loyalty, using a seven-point scale. Across 12 industries, nearly 80 percent of respondents give "high-quality interactions" and "superior product or service" high importance ratings (Top 2 Box). "Lowest price or cost of ownership" received only 31 percent of high importance ratings.

Enterprises give slightly lower importance ratings to the product and cost dimensions. This suggests that enterprises need to be careful not to overlook the fundamentals while searching for the next differentiator. But one thing is for certain: The respondents in our study do "get" that interactions are critical.

Drilling down into specific processes, we see good alignment between enterprises and customers that the quality of the product/service being purchased is still the first priority. After that, customers rate sales, purchasing and service support processes, then marketing communications.



Enterprises seem to undervalue the purchasing process, possibly taking it for granted. Customers place considerably less importance on marketing communications than enterprise respondents do. Perhaps the message here is this: "Don't *tell* me how great you are. Show me!"

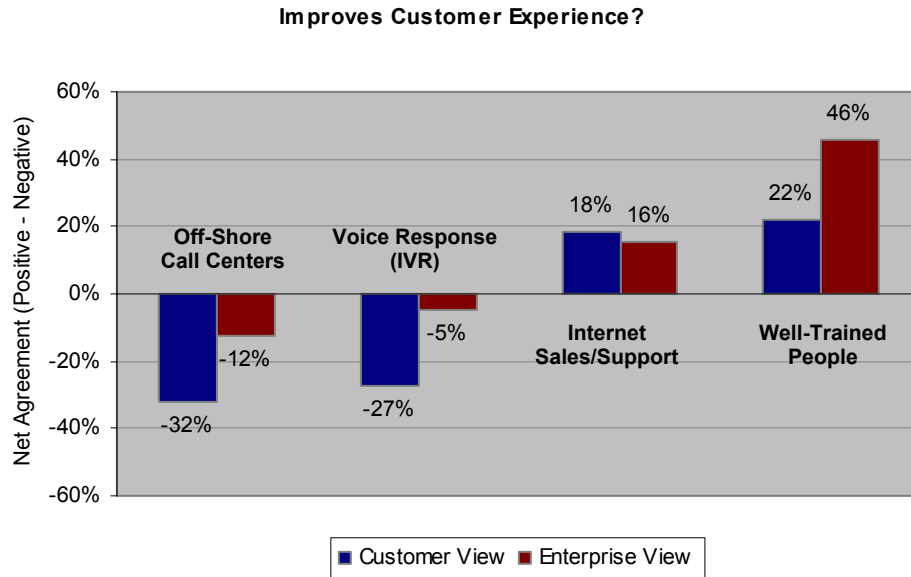
Experience and Cost Conundrum

Over the past decade, business executives have been cutting costs with automation, off-shoring and, of course, the Internet. In recent years, as the economy has improved, attention has turned back to revenue growth and building loyalty—hence, the current interest in customer experiences.

The problem is that some of these strategies may be in conflict—at least, in terms of how they are executed by enterprises and perceived by customers. We asked customer respondents to rate their agreement on whether, based on their own personal experiences, they believed that employee training, Internet sales/support, off-shoring and Interactive Voice Response (IVR) had improved customer experiences.

As you can see in the chart below, customers believe that well-trained people and Internet sales/support have had a net positive impact on their experiences. Enterprises respondents agreed, although they appear to overestimate the positive impact of training.

But the real danger is that enterprises tend to under-appreciate the negative backlash of first-generation IVR systems and off-shoring. Efficiencies are important, to be sure, but the risk for many companies chasing cost cuts could be deterioration in the quality of customer experiences.



CRMGuru’s surveys offered some clues to the gap between customer expectations and enterprise delivery. When we asked both customer and enterprise respondents for input on attributes of companies that delivered “consistently excellent customer experiences,” we found that enterprises tended to:

- Underestimate the value of friendly and helpful employees
- Underestimate the value of personal attention and rewards for loyalty
- Overestimate the value of innovation and excitement vs. fulfilling basic requirements reliably

In summary, you might say that enterprises are “left-brained” and customers are “right-brained.” Enterprises are focused on the functional aspects of running a business, while their customers are responding to the emotional and personal aspects of their experiences. This is the gap that must be closed for success in CEM.

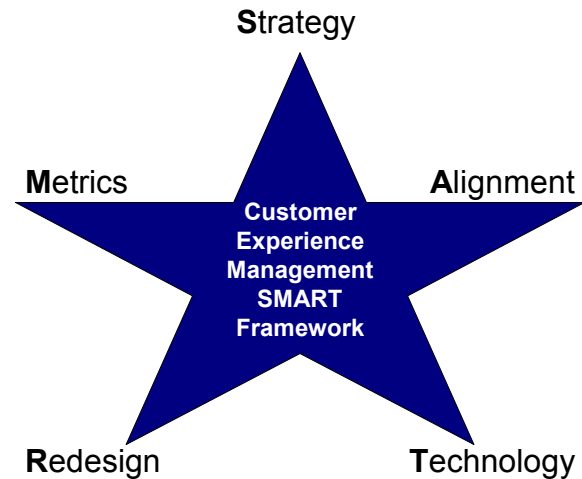
A SMART Guide to CEM Success

Acknowledging that there's a gap between where you are and where you need to be is the first step toward surmounting that gap. But how?

Our research found that a five-element approach leads to CEM success—as measured by improved business performance. To remember these elements, be **SMART**: Define a customer-centric **Strategy**; use appropriate **Metrics**; ensure your organization is **Aligned** with your objectives; **Redesign** experiences as needed; and use appropriate **Technology** tools as enablers.

To segment our survey data, we asked enterprise respondents how quickly their revenue grew in the most current fiscal year. “Leaders” were those who grew revenue by 20 percent or more. We called those who grew revenue by 10 percent to 19 percent “achievers” and those who grew revenue by 1 percent to 9 percent “plodders.” The others, those who had no growth or who lost revenue, were categorized as “laggards.”

We found that revenue leaders also claimed to grow profits more quickly (generally at double digits) and had higher customer retention rates than the other segments. As noted earlier, we found a statistical relationship between CEM scores and business performance. Said another way, revenue growth leaders practice more effective CEM.



Where should you begin a CEM initiative? At the very foremost level, we can't stress enough the importance of buy-in, from the top all the way through to every part of the organization, with everyone involved with your company—employees, suppliers, dealers and agents—truly believing in what you're doing.

Then the real work begins: You have to “walk the talk.” You must understand what customers feel and think at every level of their interaction with your organization.

Use these five elements of Customer Experience Management to help you get closer to creating an ideal customer experience, which should help improve your business performance—if customer experiences are a key source of competitive differentiation in your industry.

Developing a Customer Experience Strategy

Before you can develop a customer experience strategy, you have to know what your customers want, say customer experience advocates. Start by mapping the customer experience (known as experience mapping or touch-mapping) and one-on-one interviews with customers. Mapping is tracking all the points (those “moments of truth” again) in which customers interact with your company. You can chart this on paper, or you can take paper or sticky notes and affix them on a wall.

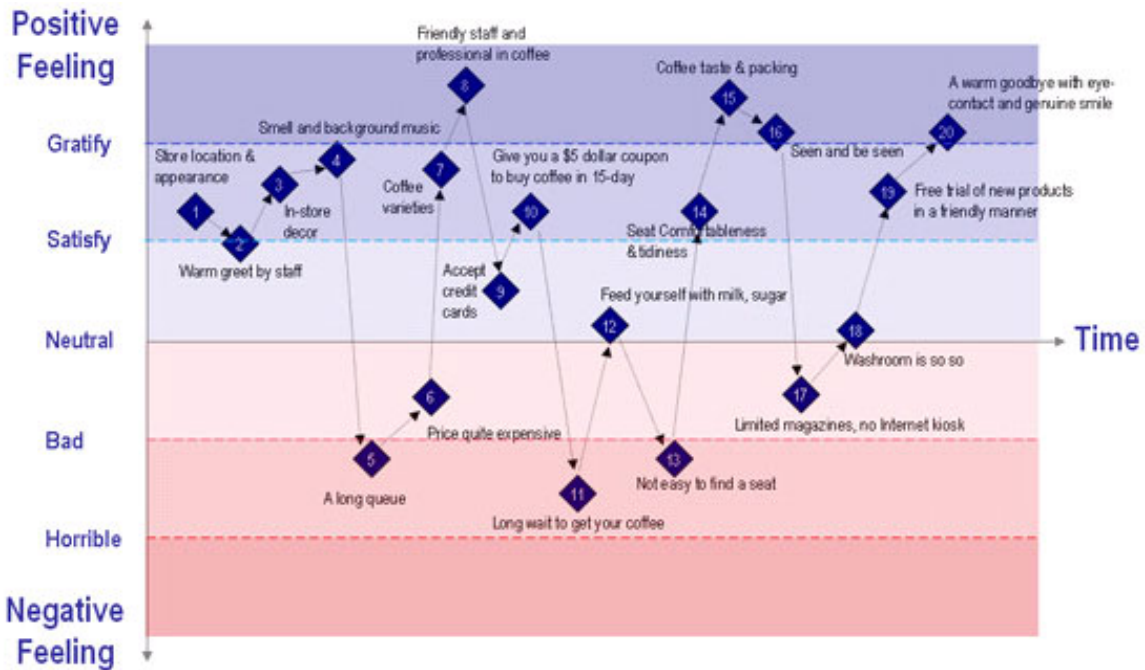
Customer experience expert Colin Shaw, of Beyond Philosophy, has clients map emotional responses to key points, identifying “frustration points” in the customer journey, striving to eliminate negative emotional states.

In this manner, one client, a large healthcare provider, was surprised to discover that negative feelings such as those associated with severe healthcare problems like cancer were tempered by elements within

the customer experience. One surprise was the way patients made emotional judgments on the quality of care based on small things not related to the physical care process, itself. For example, at a point where they didn't understand whether a certain medical procedure was working, patients would base their judgments on something they could understand, like a snack being out of date (Colin Shaw and Steven Walden, *Don't Ignore Your Customers' Emotions*, Feb. 7, 2006, CRMGuru.com).

The map here was designed by Sampson Lee of GCCRM to illustrate his experience, comprising 20 distinct interactions, during a visit to Starbucks in China. As you can see, the map charts positive and negative emotions, starting with viewing the store location and appearance and ending with a warm farewell from an employee. Can you imagine a "CRM" project looking at interactions this way?

Customer Experience Map: One Starbucks Visit



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GCCRM

Experts recommend spending time with customers and with employees who work directly with customers, conducting mystery shopping trips, mapping your processes and service blueprinting, a concept outlined in 1984 in the *Harvard Business Review*. You diagram customer experience in buying and receiving a service, showing the departmental handoffs to isolate problem areas. Face-to-face interviews, preferably conducted by company executives, rather than outside consultants, can elicit surprises. Greenberg relates how, in this way, company leaders at his client David's Bridal discovered that their key customer was not the bride—but, rather, the mother of the bride.

Discoveries such as these allow you to see what customers consider to be important and factor that into your strategy. Then you need to decide what you want to focus on—the “moments of truth” that have a high impact on customer loyalty.

Hilton, for example, wants to differentiate—both from its competitors and between customers. In other words, according to VonDerheide, the company wants to tailor the experience for each customer, to create an experience unmatched by competition. The company is evolving from a transactional organization to a relational one, he said. Hilton developed the central content for its strategy through a team of business, technology and marketing representatives. The company tended to find, VonDerheide said, that because

it's a differentiated, "sandbox" system, it worked best to pilot strategic changes with the "best guests." And executives were always making sure they could track everything, asking, "Can we see some change in downstream behavior?"

Further, when Hilton leaders want to make a serious change in the customer's experience, they will build "pocketbooks" for test customers, asking them how they would allocate their money.

For a company like Publix Super Markets, Inc., which operates retail grocery stores in the U.S. South, strategy is simple; it's always based on the same philosophy held since the company was founded in 1930, said Maria Brous, director of media and community relations: "to provide stellar customer service, at competitive prices and quality products." Brous said the company president has four points for the business: Know your customers; know your product; know your business (competitive environment); and train and develop your associates.

Customer Experience Strategy
Does your company...
...recognize more valuable customers and treat them differently?
...develop a customer strategy using research about what drives customer loyalty?
...benchmark customers' experiences vs. those provided by your competitors?
...understand how the quality of customer experience is valued by customers?
...use brand communications to clearly tell customers the experience they can expect?

Setting Goals and Defining Measurements

How do you know if you're on the right track? Ask yourself if your business has something of value. Value is a two-way proposition. If you're doing things for your customers that aren't valuable to you, that's a problem. If you're doing things that aren't valuable to your customers, that's a problem. Figuring out how to deliver valuable experiences and get a valuable return takes a strategy that includes goals and measurements.

Intuit met with loyalty expert Bain & Co., which developed a Net Promoter Score (NPS)—a scoring system based on the question of whether a customer would recommend a brand to another person. Based on customers' responses to key questions, a business would divide its customers into clusters of promoters, passives and detractors. The more the promoters, the higher the NPS number. Intuit worked on raising that number. One method? Simply contacting the detractors and asking them why they were unhappy.

More important than mere measurement, however, are reality checks to continue gauging the customer's experience and viewpoint. Intuit has quarterly customer experience reviews and has random surveys pop up, triggered by incidents, such as page abandonment.

Publix does it the traditional way, soliciting customer feedback at every level (providing toll-free phone numbers on store receipts) and responding personally to every communication customers make, whether in person or by telephone, email or letter.

"We always take into account feedback and have measurements in place, so we can measure if we're hearing something consistently from customers," Brous said. "Feedback from customers doesn't work unless you've taken it truly into account."

Goals and Metrics
Does your company...
...set specific customer experience goals, measurements and objectives?
...measure and communicate the quality of customer experiences throughout the organization?
...have top management regularly review customer satisfaction and loyalty measurement?
...assess customers' emotional reactions to marketing, sales and service interactions?
...use performance measures and rewards to encourage employees to treat customers well?

Aligning the Organization

Too often, employees are the forgotten equation in any corporate strategy. But, just as we've been saying all along with Customer Relationship Management, you have to bring employees into the mix or your strategy will go nowhere.

Shaun Smith and Joe Wheeler, authors of the 2002 book, *Managing the Customer Experience* (FT Prentice Hall), recommend public praise. "Let high-performing employees know you are proud of them," they say. "Create tangible, short-term milestones for your employees that they can achieve and which contribute to the overall commitment to customers."

It helps to hire the right person from the start. A key concern for Intuit, where Adrian Fung, group manager for marketing, and Carolyn Grenier, director for customer care, oversee the customer experience in the QuickBooks Online product line, is hiring. They say they don't look for people with call center experience but, instead, for people who have had experience helping customers. A potential hire has "got to want to be there for customers," Grenier said.

When Wells Fargo reorganized its contact centers, it concentrated on a consistent strategy that was aimed at high customer satisfaction, rather than its earlier focus on cost and efficiency. According to Withers, the company changed terminology, calling people "bankers," rather than "agents." It treated contact center operations as a partner, aligned with the retail bank. Wells Fargo also focused on training, teaching representatives how to talk to customers in a way that would avoid escalating issues and concentrating on building empathy and making calls more personal.

Empowered employees are critical for CEM success. In their book, *Building Great Customer Experiences* (Palgrave MacMillan, 2002), Colin Shaw and John Ivens list seven philosophies that they say combine to create a great customer experience. One of those is the philosophy that:

Great customer experiences are enabled through inspirational leadership, *an empowering culture and empathetic people who are happy and fulfilled* (our emphasis).

Not only are empowered employees happier (because they are treated like adults and feel their voice counts), but also their empowerment directly enhances the customer experience, Shaw and Ivens say. That's because customers can see them following through with their promises. Shaw and Ivens tell the story of the U.K.'s First Direct, which took the then scary action of letting front-line customer service representatives decide when compensation was in order for complaining customers and how much to compensate them. The move resulted in 75 percent of the complaints being resolved within 24 hours and lowered recovery costs. That was because employees resolved problems before they escalated into serious complaints costing serious money.

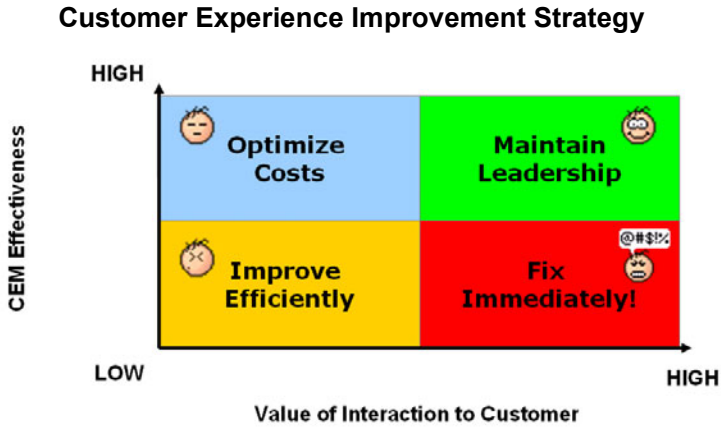
Empowering personnel is a way of life at Hilton, where VonDerheide says that the service is the business. At Hilton, which has between 300,000 and 600,000 people, in terms of franchisees, employees and partners, "touching" the guests, executives believe you have to change your incentive base. If you're incenting staff or franchisees on getting people in and out quickly and not on treating guests like people, then guess what? They won't treat the guests very well. Hilton offers both general manager incentives and bottom-up awards, rewarding both the front desk and the GM.

"The biggest part of the evolution," said VonDerheide, "is recognizing that it's not just the room, not just the physical thing. That starts at the top."

Organization Alignment Does your company...
...provide sufficient time and resources to train frontline employees to deliver what customers expect?
...have leaders that set a good example by putting "customers first"?
...hire people with the right skills and personalities to interact effectively with your customers?
...train your employees thoroughly to be helpful, friendly and responsive to customer needs?
...motivate employees to be loyal and committed to the company?

Redesigning the Customer Experience

Unless you're launching a brand-new business or service, you already are delivering a customer experience. Redesigning the experience based on customer research should help your business differentiate itself on customers' loyalty drivers.



Smith and Wheeler recommend gathering key decision-makers from across the organization, including the CEO, marketing, operations, customer services and human relations; reviewing the current customer experience, based on what you find in your research; and then re-branding and developing a new “branded” customer experience to deliver that promise. The new experience, Smith and Wheeler say, must both meet core expectations and differentiate your brand from your competition.

Then you develop “enablers”: technology, processes and training “that will enable employees to deliver the promise and customer experience every day.”

You'll need to make choices about where to invest your energies. Not all experiences are equally valuable to your customers. Experience improvement projects should start with those that your customers value highly but your organization is performing poorly. These customers are very likely to defect at the first opportunity. If you have a strong position, keep it! Remember to keep an eye on what your competitors are doing. Where the interaction value is low, make sure you increase or keep CEM effectiveness efficiently.

At Hilton, the company begins with research: How would a customer spend? And then the company has to make a choice. The experience, VonDerheide said, is based around “choice and control.” The research is “only going to be telling us which things they'd like to be choosing, and we have to go off and decide which things we can do.”

For example, customers may say they'd love for Hilton to provide limousine service to and from airports. Ultimately, however, Hilton has to determine whether that's a valuable service. “We can't give everything a guest would want or maybe even deserve, but we would find those things and figure out at what investment those things might be capable to be made.”

Experience Redesign
Does your company...
...map customer experiences end to end and identify interactions likely to affect customer loyalty?
...use qualitative input from customers, such as individual interviews, shadowing, focus groups, etc.?
...proactively plan to surprise customers to create a positive feeling about your company?
...design interactions with your products as part of the total customer experience?
...create a vision of the customer experience process with a cross-function team?

Improving Customer Experience With Technology

When Hilton was establishing its frequent traveler program, Hilton HHonors, a decade ago, the program's service lead would ask people questions regarding their stays. They'd inevitably respond, “Just look in your computer, honey,” said VonDerheide. Guests thought Hilton knew everything about every stay everyone had ever had at a Hilton hotel. “At that point, trust me, we didn't know,” VonDerheide said.

Hilton has not been standing still. It now uses CRM systems to collect and mine data that can help the company identify valuable guests and personalize their experience, no matter whether they stay at a

corporate-owned or franchise facility. And, yes, it helps Hilton take a data-driven snapshot of its patrons. “CRM,” said VonDerheide, “is just another name for what we view as service with a memory, marketing with a memory.”

It enables any Hilton franchisee to tap into the Hilton system and be able to recognize that a guest has, for example, recently traveled to New York three times in the last month and has stayed at a Hilton brand, say, seven times over the course of the month. That franchisee can greet the customer personally, recognizing the guest as a frequent traveler and patron.

You don’t necessarily need technology to establish a good Customer Experience Management program. But good technology supporting a good strategy can be a powerful combination. Wells Fargo’s Withers will tell you that “people are much more important than technology,” but still the company invested heavily to completely revamp its disparate call centers, with an eye to being able to cross-sell to high-value customers and increase customer satisfaction.

Wells Fargo had nine business units using 42 contact centers, with more than 5,000 agent seats. Its project was focused on tying all the business units together. It enabled the company to add metrics in addition to standard average handle time rates, referral, close and cross-sell rates. It smoothed the hand-off from one call center to another, to create a seamless phone experience for customers. Wells Fargo reduced the need to transfer calls between business units and identified specific customer sets quickly and efficiently, routing them to the correct sites and agents.

While technology is not a driver of CEM success, it can be an invaluable tool. Use IT for upfront analysis, for monitoring systems and throughout marketing, sales and service processes to provide high-quality and efficient experiences. For example, you might:

- Assess the quality of customer experiences with online and contact center monitoring and measurement systems. Feed that information back to the organization regularly.
- Optimize marketing with analysis and campaign management systems to deliver relevant offers. However, make sure that marketing is making promises the organization can keep.
- Improve sales/service delivery with a unified customer view. Customers expect to be recognized and treated as individuals—and rewarded for their loyalty.
- Use natural language speech applications to provide efficient sales and service without the bad experience aftertaste.
- Provide tools to help employees be helpful and responsive, including sales coaching, support knowledge bases and the like. Of course, it helps to hire the right employees to begin with.

Information Technology
Does your company...
...use IT systems that enable a complete view of customers interactions across all channels?
...involve both business users and technology experts in IT system planning?
...use IT tools to identify and escalate customer satisfaction issues to swift resolution?
...consolidate all customer information in databases that are shared across the company?
...provide front line employees with easy to use tools and information to serve customers?

Stop the Insanity

Carlzon turned Scandinavian Airlines around in the 1980s by focusing on “moments of truth.” Today, 25 years after he took charge, the importance of customer experiences is catching on everywhere.

Although CRM should be a strategy for a win-win value exchange, most “CRM” projects are not strategies at all—they are merely IT projects designed to extract more value from customers. For long-term success, however, enterprises must *deliver* more value to get more. CEM puts the spotlight on the customer’s value proposition, where experiences play a vital role in driving true loyalty.

It’s Up To You

Albert Einstein defined insanity as “doing the same thing over and over again and expecting different results.” If your customer experiences are less than optimal, do you think they’ll fix themselves?

Ah, but CEM sounds a lot like CRM, doesn’t it? A good job for someone *else* to do. After all, many customer experiences cross functional areas. So you should just wait for the big boss to form a committee, then get cracking, right?

Wrong. While you’re arguing over who should own that newfangled customer experience map, your world economic map just got a little flatter.

What can you do? If you’re a “CxO” of your company or head a business unit, you can lead the way to make customer experiences a true differentiator. Only you can make it a central theme of your business strategy.

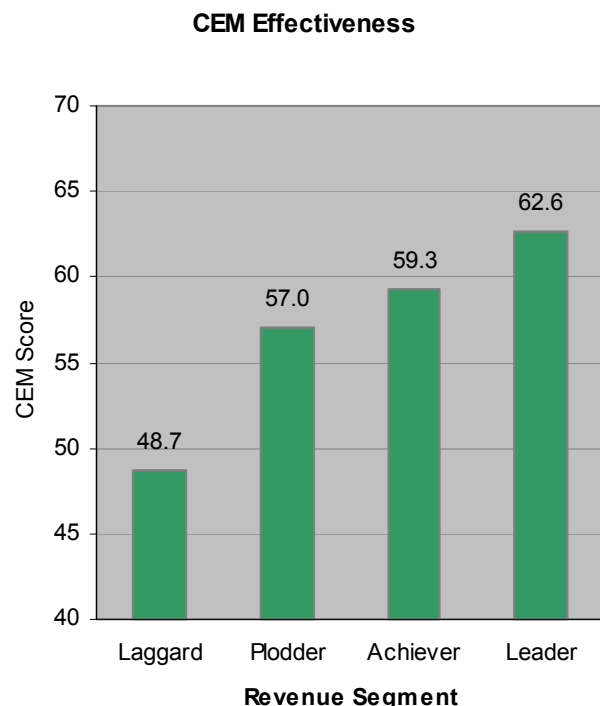
Marketing leaders can see that the right research is done on interactions as loyalty drivers, then figure out where the company stands vs. its competition in terms of quality of experience. Sales executives would be wise to consider that repeat buyers are looking for a consultative approach from genuinely helpful and responsive reps. Rethink your compensation scheme accordingly.

If you’ve got the tough task of running the contact center and doing more with less year after year, take heart! The good news is that improved technologies will make your job easier and keep your customers out of IVR jail. In fact, IT can help deliver experiences that are both effective *and* efficient.

Be SMART About CEM

To improve your chances for CEM success, use the SMART approach. It’s based on fundamentals developed with CRM and adapted for CEM, and proven effective with CRMGuru’s extensive CEM research. Think out of the conventional CRM box and use technology that improves customer experiences directly or provides tools to help employees do so.

If you think the “leaders” analyzed in this report have all the answers, think again. On average, the top-performing companies scored only 60 percent to 70 percent of the maximum possible CEM scores. There’s plenty of room for you to leap ahead and win in the experience economy ahead. Good luck!



About the Research and Author

Acknowledgments

We are indebted to many people who gave generously of their time to make this paper possible. First of all, our sincere thanks to the 600 members of the CRMGuru community who collectively spent more than 200 hours completing an online survey from the enterprise point of view. Also, the survey design was improved with support from industry experts on the CRMGuru Panel (www.crmguru.com/gurus). Gurus Paul Greenberg, Sampson Lee and Michael Lowenstein were especially helpful.

Executives from Hilton, Intuit, Publix and Wells Fargo gave invaluable input regarding their CEM strategies and results, helping bring our survey data to life with real-world examples. Authors of leading CEM books were also gracious with their thoughts, including Jan Carlzon (author of *Moments of Truth*), Bernd Schmitt (author of *Customer Experience Management* and *Experiential Marketing*) and Shaun Smith (co-author of *Managing the Customer Experience*).

RightNow Technologies is sincerely thanked for its generous sponsorship of CRMGuru research. Last but not least, CRMGuru managing editor Gwynne Young made an outstanding contribution throughout the project, as research assistant, writer and editor.

Methodology

The enterprise-focused statistical information in this paper was collected via a CRMGuru online survey in May 2006. More than 600 respondents gave input on their CEM practices and business performance. The 25-question assessment and SMART framework was developed based on CEM expert interviews, CEM literature research and CRM best practices research published in *Blueprint for CRM Success* (2002), by David Mangan, Dick Lee and Bob Thompson.

Respondents were generally in mid- to upper management positions (65 percent) with most (75 percent) in customer-oriented jobs in marketing, sales or customer service functions. Respondents were generally very well-educated (59 percent with graduate degrees). Most respondents (83 percent) ranged from 30 to 59 years old and were skewed toward male (67 percent). Geographically, 44 percent were from the United States and Canada, 30 percent from EMEA and the balance from Asia Pacific countries.

From prior experience, we know this audience is biased toward customer-centric thinking and quality. Therefore, it's likely that enterprise management thinking is more advanced than the average business population. Conclusions may not be valid outside the regions and industries analyzed or in developing markets where basic products and services are being introduced or affordability is the primary concern.

About the Author

Bob Thompson is CEO of CustomerThink Corp., an independent Customer Management research and publishing firm. He is also founder of CRMGuru.com, the world's largest industry portal dedicated to helping business leaders improve customer management success.

Since 1998, Thompson has researched the leading industry trends, including partner relationship management, customer value networks and customer experience management. In January 2000, he launched CRMGuru.com, which now serves 300,000 business leaders monthly through its web site and email newsletters. Thompson is co-author of *Blueprint to CRM Success*, has written numerous articles for leading business and IT publications and is a popular keynote speaker at conferences worldwide.

Throughout his career, Thompson has advised companies on the strategic use of information technology to solve business problems and to gain a competitive advantage. Before starting his firm, Thompson had 15 years of experience in the IT industry, including positions as business unit executive and IT strategy consultant at IBM. For more information, please visit www.crmguru.com or contact Thompson at bob@crm guru.com.