Customer Experience Strategy

4 Overlooked Key Competencies for Sustainable Results

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"What everyone in a company does can be reduced to one of two functions: to serve the customer or serve someone who does."   – W. Edwards Deming

While 80% of executives say they want to use customer experience management (CEM) as a form of differentiation this year, only 11% would call their CEM approach "very disciplined".[1]
This mis-match of intentions and capabilities reveals a fundamental paradigm glitch about the purpose of business. *In reality, customer experience dictates revenue streams which enable all other initiatives, operations, and aspirations of a firm.*

This realization is reflected in Johnson & Johnson's credo: "We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. … We are responsible to our employees. … We are responsible to the communities in which we serve. … Our final responsibility is to our stockholders. … " Hence, J&J subscribes to the philosophy that excellent customer experience enables its initiatives, operations and aspirations.

A disciplined approach includes processes and competencies guided by strategy. Half of businesses lack a customer experience management process,[3] indicating significant opportunities within most industries to stand out from the crowd in customer experience excellence. Indeed, 81% of companies with strong capabilities and competencies for delivering customer experience excellence are outperforming their competition. [16]

Lack of *customer experience strategy* is reported by executives as their biggest CEM weakness.[1]
Ironically, if one believes that customer experience dictates revenue streams, then a customer experience strategy would be viewed as a foundation and guide for all other business strategies.

Last year's good news for the most improved CEM competency was: employees fully understand the attributes of our brand.[1] Of course this internal focus is necessary, but far from sufficient.

To develop an effective customer experience strategy, strive for strong performance in these four often-overlooked CEM competencies:[1]

1) *Shared Vision:* Employees across the company share a consistent and vivid image of target customers.

2) *Sound Rationale:* Decision-making processes systematically incorporate the needs of target customers.

3) *Accountability:* Quality of interactions with target customers is closely monitored.

4) *Celebration:* Employees across the company are recognized and rewarded for improving the experience.

1) **Share a Consistent & Vivid Image of Target Customers Company-wide**
If you want to be a customer-centric company, you must set yourself up for success in revolving around the customer's well-being. A *thorough understanding of the customer's world* is the foundation for customer-centricity.

Customer experience dictates revenue streams which enable all other initiatives, operations, and aspirations of a firm

What is the Customer's World?

A clear understanding of the customer's world goes well beyond recommendation rates or features and benefits of your products and services. The customer's world is the larger context of *why and how* they're using your products and services:

- What are they trying to achieve?
- Are there different circumstances that shape their processes and expected outcomes?
- Are there other products and services, and internal elements that are combined with yours as a solution to the overall objective?
- What are their pressures, challenges, frustrations and triumphs relating to that overall objective?
- What are the customer's work-arounds for missing or complex elements of the solution?
- What does the customer consider to be excessive or unnecessary among the solution elements?
- How does the customer prioritize importance and frustration levels of the solution elements?

The goal in exploring the customer's world is to discover opportunities for making it easier and nicer for customers to get and use the solutions they're seeking. In fact, market segmentation by customer experience circumstances (why and how) has been adopted by companies such as GE Medical as far superior to traditional customer segmentation and persona development.

Keep Your Ear to the Ground

A thorough understanding of the customer's world is a moving target. Arrogance has been the undoing of many a leader. Despite compelling evidence of customer retention's impact on revenue and profit, nearly two-thirds of companies do not have a formal voice-of-customer program in place.[4] So it's no wonder that 69% of companies have not provided customer-facing personnel with customer insights.[5] Yet, customer-facing personnel can be customer-centric only to the extent that your business processes, policies, and attitudes of all other employees throughout the company allow them to be.

Your Payroll Dollars are Made Possible by Satisfied Customers

This message on my bi-weekly payroll stub, at semiconductor equipment-maker Applied Materials, stood out to me as a stark reminder of the role of customers in my job.

Your Payroll Dollars Are Made Possible by Satisfied Customers

A wide array of sensitizers is necessary to keep the customer's world front-and-center for executives and employees. Use every opportunity to provide everyone with a consistent and vivid image of your target customers: post customer stories as articles, podcasts, and video on bulletin boards, intranet sites, newsletters, executive messages, and in staff meetings. Make the customer's world personal to employees by streaming relevant voice-of-customer data to every corner of your organization. Conduct workshops to help all employees identify their jobs' link to customers' well-being, and to involve them in ways to act on customer sentiment data streams.[6]

When talking about core values at information infrastructure provider EMC, employees are reminded that "most importantly, we live them out in all our customer interactions." More than half the workforce at EMC is active in 160 internal communities, which have brought their brand values to life. By starting with internal networks and blogs, employees became comfortable with Web 2.0 tools, and became connected with EMC strategy, culture, and fellow employees. Employee experts now engage in customer communities and viral marketing efforts. These communities have helped increase revenue, develop products, improve service, reduce support costs, and build relationships and loyalty.

The customer's world is the larger context of why and how they're using your products and services

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2) Emphasize the Customer's Well-Being in All Decision-Making

Decision-making can be complex, with multiple constituencies to consider: customers, shareholders, competition, executives, peers, personal career path, etc. Hence, it's all too easy to fall into the trap of compromising customer relationship strength by favoring another constituency in tactical and/or strategic decisions, at all levels of the company. Only 60% of companies regularly consider how a proposed action increases or decreases customer trust when making decisions despite widespread agreement that customer trust is tied to the financial success of the business.[4] In the U.S., a company's reputation is impacted by transparency and trust as much as by product and service quality. [9]

The primary reason for consistently putting customers first is that they do indeed make payroll possible. Typically, when priorities are aligned with customers first, and other constituencies secondarily, the intended outcomes for other constituencies follow naturally, and more healthily for all involved.

Imagine Customer Presence

There's a common saying that applies to customer-centricity: out of sight, out of mind. What better way to transform your culture to truly customer-centric ways of thinking and doing, than to invite your customer to attend all your discussions? This has long been a practice at Amazon, since founder Jeff Bezos once started an executive meeting by announcing that an empty chair at the table represented "the

customer". Throughout the meeting, the executives were compelled to include the customer in their thought process, and to consider their comments' implications on the customer, as if "he/she" were present.[10] This practice became a habit at Amazon, part of their corporate culture. CTO Werner Vogels explains: "It's very important to have a culture where everybody understands what the core values of the company are. New starters are often surprised at how important focusing on the customer is to us and how good Amazon is at doing that. … We often have meetings where we start off with a 'customer voice' — a success story, even sometimes a negative story, of a customer's experience of buying on Amazon — and use those stories to drive our services to become better. … We want to be the most customer-centric company on the planet."[11]

Do Customers Confirm Your Customer-Centricity?

The elusiveness of true customer-focus is evident in several studies, such as Accenture's Delivering the Promise study, where 75% of surveyed executives viewed their company's customer service as above-average, while 59% of their customers reported their experience with these companies' service as somewhat to extremely dissatisfying. Another example is CMO Council's Customer Affinity study where half of companies said they're extremely customer-centric, but when customers of those companies were asked, only a tenth of them said those companies were extremely customer-centric.
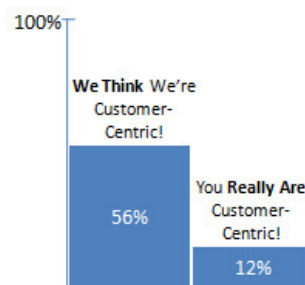
Weave Customer-focus into Your Culture

To what extent do you emphasize customer-focused decision-making in your processes for annual operating plans, operations reviews, staff

Only 60% of firms regularly consider how a proposed action increases or decreases customer trust when making decisions

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meetings, performance reviews, and other rituals in your company? Make a concerted effort to incorporate customer-first thinking and discussions in all of these business processes, and you'll see a monumental increase in customer-focused employee engagement. Audit your customer programs to identify what's-in-it-for-me (WIIFM) from the customers' perspective. Create a ratio of WIIFM for your company versus WIIFM for customers, both short-term and long-term, and make adjustments that strengthen the customer relationship from the customer's perspective.

Program	Your Value	Their Value	Ratio

Ongoing Customer-Centricity Journey

As Amazon exemplifies, building a customer-focused culture is an ongoing journey. This journey is called internal branding, where outside-in thinking is integrated into the job of everyone company-wide, managing their personal impact on customer experience. Top-performing companies in customer service, according to BusinessWeek's list of high-performers from JD Power & Associates' recent studies, are: Amazon, USAA, Jaguar, Ritz Carlton, Publix Super Markets, Zappos, Hewlett-Packard, T Rowe Price, and Ace Hardware. These companies are well-respected on several dimensions, demonstrating that it pays widespread dividends to put customers' well-being first.

3) Monitor Quality of Customer Interactions

While surveys have long been in place for most companies, only 31% of marketing executives report that their company takes customer listening seriously, and just 38% of companies are gathering customer insight from customer engagement situations.[12] This means that companies willing to adopt a disciplined approach to customer experience management may enjoy significant competitive advantages by being first or best at monitoring and improving the quality of customer interactions.

Monitor the *Customer's* World

A customer satisfaction survey typically provides essential yet insufficient insight on the quality of customer interactions. Some surveys focus on the overall relationship, while others measure the effectiveness of transactions. User groups and advisory boards often focus on future offerings. There may be multiple influencers for purchase decisions, and the sentiment of each influencer should be monitored, to paint the whole picture of your status with customers. Social media monitoring provides a window to customer interaction quality among those who are vocal. Call center logs and complaint lines are also very important sources of customer experience feedback, yet not often used company-wide.

In nearly every case, these feedback mechanisms and forums are designed around the company's world, rather than the customer's world. "For any given job [i.e. purchase], customers collectively apply 50 to 150 metrics to measure how well the job is getting done", says Anthony Ulwick in his book, *What Customers Want*. Hence, the best way to monitor the quality of customer interactions is to use customers' inherent measurements of goodness rather than the company's measures of goodness. The hardest thing for competitors to copy is the customer experience you create.

Embrace Constructive Feedback

Many firms that measure customer satisfaction emphasize the positive and de-emphasize the negative responses. Lack of processes and comfort levels for digesting and acting on constructive feedback can leave a company vulnerable to severe consequences. One out of two companies (44%) acknowledge that high-profile negative customer experiences have at some time compromised their brand, yet only 29% have high ability to handle and resolve customer complaints.[4]

Make it safe for executives and employees to receive less than stellar results – as long as they diligently improve. A motto such as this one may be useful in establishing curiosity rather than fear: *Good news is no news; no news is bad*

Customers apply 50 to 150 metrics to measure how well the job is getting done

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news; bad news is good news.[13] Make it part of your culture to look at negative feedback from customers as early warning signals, and, as the old saying goes, turn lemons into lemonade.

> Good news is no news,
> No news is bad news,
> Bad news is good news!

Virgin Mobile measures call center customer satisfaction on a five-point scale and looks at the top-two box (4-5) and bottom-two box (1-2) scores, with emphasis on the latter. Dennis Weikle, Vice President of Customer Care, explains: "When customers are satisfied, that's great, and we certainly work to continue doing what we're doing well. We've found the bottom box is indicative of churn and negative word-of-mouth, so we built a customer advisory group to look at survey results on a real-time basis, hour by hour, to identify what went wrong, and turn the wrong into a right. We also categorize feedback by call center skill issues and by business operations issues, and drive improvements accordingly. We call customers to acknowledge the issue when a poor rating is given, and find that people are surprised and pleased with the personal attention and commitment to resolution. We're fortunate to have good customer experience commitment across the business groups to take action immediately. We are consumer champions, and that's how we hire and orient employees, with tops-down and bottoms-up walk-the-talk. We try in everything we do to anticipate impact on the customer, and over the past year we've seen the bottom-box volume shrink in half."[14]

Transparency Spurs Employee Engagement

It's common for survey results to be shared with a select set of executives and employees. Remember, out of sight, out of mind. Let every employee see their impact on customer experience. Only 42% of companies use a dashboard of commonly-agreed-to metrics that define success. And just 24% have created a multi-year set of agreed-to-metrics to assist executives in measuring & monitoring customer

satisfaction, retention and profitability.[15] These low statistics indicate differentiation opportunities for companies that decide to stand out from the crowd by implementing holistic, highly visible, and readily accessible measures of customer interaction quality.

Focus on Leading Indicators

Survey results measure what the customer already experienced, so they are lagging indicators.

Teams can improve the quality of customer interactions only by focusing on metrics tracking the progress of their survey results action plans.

These action plan metrics are leading indicators of customer sentiment and business results because they can be observed and constructively managed by teams before customers have a chance to evaluate the results of the action plans. Well-aligned leading indicators can be predictive of future customer sentiment and market performance.

4) Recognize Employees for Improving Customer Experience Management

Humans, as well as all living things, align their behaviors with the rewards in their environment. For example, only 42% of companies agree that they can do what is right for customers despite the pressure to make current-period financial numbers. Interestingly, the same number of companies are actually using customer metrics to evaluate organizational performance.[16] To engage executives and employees in customer experience management, walk the talk.

You Get What You Reward

Only 30% of companies are using customer metrics to evaluate individual performance. The same number of companies align incentive

Only 42% of firms agree they can do what is right for customers despite the pressure to make current-period financial numbers

compensation to customer metrics.[16] Among those companies that do tie compensation to customer experience, employee behavior often does not match what was intended.

For example, using customer satisfaction surveys as a basis for the employee bonus program often leads employees to coach customers, asking for help in getting their bonus by giving the employee a *highly satisfied* rating. When the survey results are reported, how much confidence can the company have that the survey is valid? Coaching negates the value of the survey, and of the bonus program as well, making them largely a waste of effort, time and money for all parties involved. Instead of tying compensation heavily to survey results, tie it primarily to leading indicators: action plan progress metrics.

Let Employees Toot Their Own Horn

At Applied Materials I managed a self-reporting team recognition program, which guided employees in expressing their achievements according to established categories and criteria designed to strengthen customer focus in the company culture. Formal teams and grass-roots teams get constructive feedback from a panel of executives, which enriches their projects and team satisfaction, and has resulted in thousands of hours and millions of dollars in savings for the company and customers alike. An online user interface gives employees worldwide easy access and visibility to lessons learned for synergy and knowledge management.

The program is evaluated by company-wide participation and participants' satisfaction, with continual improvement over the years, evolving from a variety of problem resolution categories to exclusive focus on problem prevention for superior customer experience.

Recognize Desired Behaviors Incessantly

To weave employee engagement for superior customer experiences into the fabric of your culture, don't wait for end-of-quarter opportunities to express gratitude for stellar performance. Help your employees make CEM a habit by reinforcing what you like when you see it. Be sincere. Be creative in expressing your appreciation. Involve employees in recognizing their peers. Recognition can be contagious and buoyant.

Many companies, including JetBlue, evaluate their progress in engaging employees for superior customer experiences. The company asks crewmembers how likely they are to recommend JetBlue as a good place to work, and they ask customers how likely they are to recommend JetBlue to others. They correlate the answers across employees and customers, and the results are trending upward for both measures of success.

Although it is a service business, JetBlue believes that only 10% of customers' perception of their brand is visible externally through customer interactions. The other 90% of brand perception is impacted by management of people, processes, policies, and organization.[2] JetBlue has been the top airline for 5 years in J.D. Power's customer service survey. As a sign of strong customer engagement, they have 1.6 million followers on Twitter, more than any company except Whole Foods and Zappos. In 2009 JetBlue was profitable, expanding to 8 new cities and hiring 2,300 people. Engaged employees are the most dynamic and influential force in creating superior customer experiences.

30% of companies are using customer metrics to evaluate individual performance

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2009

Conclusion

Companies that have increased investment in customer experience in the past three years, compared to those that have decreased their investment, report satisfaction scores that are 60% higher. And they are 30% more likely to have attrition rates of 5% or less.[8]

Integrate these competencies in your business strategy to achieve sustainable results:

1) *Company-wide vivid image of customers*
   - What is the Customer's World?
   - Keep Your Ear to the Ground
   - Payroll Made Possible by Customers

2) *Customer-focused decision-making*
   - Imagine Customer Presence
   - Customers Confirm Customer-Centricity?
   - Weave Customer Focus into Your Culture
   - Customer-Centricity is a Journey

3) *Monitoring of customer interaction quality*
   - Monitor the Customer's World
   - Embrace Constructive Feedback
   - Transparency & Leading Indicators

4) *Recognition for CEM improvements*
   - You Get What You Reward
   - Let Employees Toot Their Own Horn
   - Recognize Desired Behaviors Incessantly

Make it hard for competitors to copy your strengths, by engaging your employees enterprise-wide in designing and delivering superior customer experience.

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