



## From Interaction to Profit

Customer Experience Management that Drives Results

# From Interaction to Profit

## Customer Experience Management that Drives Results

**Meet Doris.** Doris is a customer of Premier Telecom, a company known for its customer focus and commitment to delivering an excellent customer experience. Doris has both her wireless and land service with Premier, and is happy with the performance of both products. She calls Premier to consolidate her bills for the two services and the automated recognition system recognizes Doris based on her phone number. Her profile, complete with both wireless and wireline account information, comes up immediately on the service representative's screen. Doris makes her request to have one bill and the rep is immediately able to consolidate the statements.

Before terminating the call, the rep asks Doris if she knows that they offer high-speed Internet services. The rep then offers Doris the current promotional rate for a cable modem service, which can also be billed as part of Doris' other Premier services. Finally, the rep informs Doris that her family has three different wireless plans, one each for Doris, her husband and son. Based on this information, the rep offers Doris a discounted service reserved for high value customers of Premier called "Go Fast Family." The rate will save Doris up to 18% on her monthly wireless charges and offer her son unlimited texting. Doris is grateful and subscribes to both the cable modem service and the family rate for her wireless services. The next day, she receives an e-mail confirming her new billing and products. Not only is Doris pleased with this interaction, she is more entangled with the organization and is spending more as a result.

**Meet Bob.** Bob is a customer of Source Telecom, also satisfied with his product and looking to consolidate his billing. Yet, Source Telecom does not have a customer strategy in place, nor is there an enterprise-wide focus on the customer experience. So when Bob contacts Source Telecom, the company does not recognize his cell phone number and he is asked to provide it. After inquiring about getting one bill, Bob is told he has to call Source Telecom's wireline division to place the request, and the wireline representative tells him they will notify the wireless division. In spite of this, the rep recommends that Bob also call to confirm with the wireless division within the next few days. Bob is frustrated with this

request, but is most concerned about getting the result he needs. Two days later, he calls the wireless division and again has to provide his information. An inconvenienced Bob repeats his number and the rep tells him there is no record of this request for consolidation from the wireline folks.

Bob is so aggravated that he tells that rep he wants to cancel his wireless service, then relays his story on a customer complaint blog. He soon contracts with a new wireless provider. The next evening, Bob receives a telemarketing call, offering low long distance rates for his home phone. Bob is more than happy to accept this lower offer. He now calls to cancel his wireline with Source Telecom. Incredibly, just one week later, Bob receives an e-mail solicitation from Source offering a special wireless deal. Bob deletes it immediately.

**Here are two customers.** Both were happy with their product. Both had the same need. However, the overall experience that these customers had with their telecom provider changed their value to that company in drastically different ways. Doris' value increased. She is satisfied, more loyal and likely to tell friends about her positive experience. She is even spending more money with Premier Telecom. Bob is no longer a customer. His value has been completely eroded at key moments of truth in the customer experience, and he is freely telling others about the situation online. Meanwhile, Source Telecom is even throwing additional marketing dollars to win Bob back.



### Table of Contents

The Customer Experience is Critical .....	3
Customer Experience Framework .....	4
Leading Indicators of Customer Experience Effectiveness .....	7
About Peppers & Rogers Group .....	8

What kind of experiences do your customers have?

# The customer experience is critical

Peppers & Rogers Group asserts that the customer experience is the totality of a customer's interactions with a brand over time. While many companies agree that managing the customer experience is a critical component for securing short-term results and long-term success, few invest the necessary resources to ensure an effective integrated customer experience strategy across all business units, divisions, and functional groups. Truly customer-centric firms do more than just talk about their customer focus; they actually commit to delivering a positive customer experience across all interaction points, or touchpoints, at each phase of the customer lifecycle. It is these interactions that can directly increase or destroy the value of a firm's customer base.

And with the advent of all of the new social media channels that connect customers with each other, it is critical that the company does everything that it can to create a positive customer experience. The company's actions will be broadcast through social networks that can exponentially build value or diminish it.

Brand image is also directly impacted by the customer experiences with a company. A company's brand is a critical pillar of the enterprise's long-term ability to generate profitable results and build competitive advantage. The brand image does not result only from a customer's experience with the product or service, but also with the customer's interactions with the firm. And because of communities, social networking, blogs and recommendation sites, the customer experience also incorporates the experiences of that customer's personal network.

In our previous example, both customers were very happy with the product. It was their respective interactions that changed the brand images of these companies in the minds of Bob and Doris.

Customers are a company's most important asset. In an increasingly competitive and commoditized environment, designing an effective customer experience for your customers is key to generating long-term customer equity and driving competitive advantage. Gartner predicts that enterprises that fail to establish strong relationships

with their customers will erode their competitive position by 15% to 20% per year.<sup>1</sup> Delivery of a poor customer experience can not only put relationships and revenue at risk, but also can lead to the destruction of shareholder value in the long-term. Ensuring a positive and effectual customer experience does more than satisfy the customer—how a company designs and manages the customer experience drives real business results.

## Customer experiences should not all be created equal

The customer and the enterprise converge at the customer experience, which is delivered across touchpoints (e.g. billing agents, customer services representatives, delivery personnel, sales agents, direct and mass marketing messages, etc.). To deliver effective customer experiences across these touchpoints, an enterprise must first understand who their customers are, how they differ based on their value to the enterprise as well as their needs from the enterprise. With that foundation in place, the organization can design interactions that are not only pleasing to the customer, but profitable to the company.

Peppers & Rogers Group's customer experience mapping methodology crystallizes the current state of a customer's interactions with a brand. It also points to how these interactions can be enhanced based on customer value and needs. By understanding both the current and desired state of customer experience, the enterprise can design and manage a profitable customer experience strategy based on five key components: consistency, integration, relevance, social web participation and trust.

While there naturally need to be uniform basic standards for delivering an effective customer experience, companies looking for advantage must differentiate the experience for profitable customers, based on their value to and needs from an enterprise. Doing this well results in more than high customer satisfaction; profitably managing the customer experience by facilitating consistent interactions, enabling seamless integration, creating a relevant experience, participating in the social web and cultivating customer trust can drive customer equity over time—as it did with Doris.

**Customers are a company's most important asset. In an increasingly competitive and commoditized environment, designing an effective customer experience for your customers is key to generating long-term customer equity and driving competitive advantage.**

## Customer Experience Framework



Peppers & Rogers Group's customer experience framework illustrates how the brand promise is achieved by meeting customer expectations through customer experiences with the company.

Source: Peppers & Rogers Group

### Characteristics of effective customer experience management

Meeting customer expectations is a minimum threshold for establishing and growing customer relationships, as well as building an effective customer experience management strategy. However, it requires that a company is already strong in the other areas of managing the customer experience. True cultivation of customer relationships, that result in sustained competitive advantage and customer loyalty, requires delivering on the brand promise at key moments of truth, or an experience that could directly impact a customer's perception of the company and potentially influence a purchase or repurchase decision.

**Facilitating consistent interactions.** Today, customers have access to a broader and more sophisticated array of channels through which they can interact and ultimately build a relationship with a company. Each interaction with a customer represents an opportunity to build on the previous interactions and grow the relationship. A customer should feel that they are hav-

ing a continuous dialogue, regardless of the individual or channel with whom they are interacting. They should not be asked the same question twice, be required to explain which products and services they use or summarize recent interactions and communications with the company. It is important to note customer expectations are continually increasing while their tolerance for fragmented experiences is decreasing.

**Integration across channels.** In this competitive environment, customers expect:

- Companies to value them and know who they are and their needs and preferences regardless of contact channel
- High-quality, speedy interactions regardless of channel
- Companies to respond via the customer's preferred contact channel
- Real-time access to their own and company data
- Self-service and 24/7 service
- Immediate and useful responses to inquiries

Success in this area begins with the development of an integrated, enterprise-wide

**True cultivation of customer relationships, that result in sustained competitive advantage and customer loyalty, requires delivering on the brand promise at key moments of truth.**

customer interaction strategy that delivers on the brand promise across all channels. Each touchpoint should have a common understanding of the organization's customer experience management strategy and access to a common base of knowledge to apply in interacting with the customer.

The goal is for all touchpoints to interact in an integrated and positive way throughout the customer lifecycle.

**Creating a relevant experience.** The customer expects the interaction to meet their needs. Don't waste their time with product offers that are not relevant to them or marketing messages that are redundant. Understanding the customer's needs, interests and preferences is critical to ensuring that each experience with the company is relevant to them. While many products today have been "commoditized," how a customer interacts with the company and its product can vary widely. Injecting customer insight into interaction channels creates relevant experiences that grow rather than destroy customer value.

It is not enough to know that customers are different. It is essential that companies research and remember these differences and expectations, and use that insight to create an experience as unique as the customer itself.

**Cultivating customer trust.** The third critical component to creating a positive customer experience is building trusted relationships. A customer who can feel confident in his or her interactions with that company is far more likely to continue to share information with that enterprise, giving companies a competitive and long-lasting advantage.

Yet, a company can engage in various practices to either build or destroy its customer equity. Factors such as delivering positive customer service experiences, maintaining a strong company and brand reputation and enforcing privacy and security policies can be differentiating factors for an enterprise. For example, a company that clearly practices responsible information management will engender a customer's trust. That customer is more motivated to provide the information needed to create future relevant interactions, thereby facilitating more useful future experiences.

Consistency and relevance also feed this component. As customers learn that previous

interactions are consistent and relevant, they'll trust the future experiences will also bring value. Doris certainly trusts that Premier Telecom is bringing her offers that are valuable to her and will be more receptive to them going forward.

**Participating in the social Web.** As hard as a company tries to manage the customer's perception of their experience, the Web 2.0 world has dramatically changed the dynamic. As a matter of fact, according to a recent report from Jupiter Research, online social networks users were three times as likely to trust their peer's opinions over the company's communications.

Instead of avoiding the conversation or trying to blast one-way messages at the customer, companies need to actively participate in the online dialogue. They need to listen to what is being said on blogs and community websites and engage in the conversation as a valued participant. They need to learn from being said about the customer experience and act on the insights. By getting involved in customer conversations, a company becomes part of the co-creation process and can establish a stronger voice, one that stems directly from customer feedback. With all this in mind, an organization must design customer experiences with a process-based infrastructure that enables delivery platforms to execute the strategy.

### **The customer experience platform**

A company's product, people and processes are the *means* from which the relevant, consistent and trusting customer experience reaches the end-customer. These delivery platforms ensure that both the externally facing customer interactions, as well as the internal processes that enable the experiences, are designed from the customer's perspective. Product, people and process must be built around the value and needs of the customer base in order to ensure that the customer experience is measurable and trackable for the company, while relevant and consistent for the customer.

**Product.** Developing and offering the right product at the right time for the right customer is critical to delivering on the expectations set by the brand promise. In order to ensure that the product is meeting expectations, companies must ask themselves the following questions:

**Product, people and process must be built around the value and needs of the customer base in order to ensure that the customer experience is measurable and trackable for the company, while relevant and consistent for the customer.**

- Are we profitably developing the right products, based on our customers' differing needs?
- Are we gathering customer feedback, both positive and negative, in a systematic way in order to improve or adjust product performance in line with customer needs?
- Can I make this product in a profitable way and still be relevant and consistent in the delivery of my customer experience, or can I increase the price of my product based on how pleased the customers are with their experience?
- Can I trust that the quality of my product is delivering on brand expectations?

A feedback loop that injects the answers to these questions back into future planning, and cultivates a Learning Relationship, will ensure that the customer will have a positive experience with the product.

**People.** In addition to product, people are the other externally facing component of the customer experience. This channel ranges from sales agents, customer service representatives, billing agents and more. In order to ensure that personnel are consistently delivering on the customer experience, employees must share the objectives of delivering consistent and relevant customer experiences that generate ongoing trust. To enable this, employees must be able to access a 360-degree view of the customer across business units and channels. This requires a commitment to integrated marketing strategies and cross-channel collaboration across the entire enterprise.

**Process.** Process is often the least considered component, but one that most influences the customer experience, as it strongly affects customer interactions with people and product as demonstrated in Bob's experience with Source Telecom. The processes that Bob "experienced" did not provide a seamless, consistent experience for Bob. It was as though he was working with two separate companies. Companies should ask themselves:

- Do we have a unified customer view across product lines and business units?
- Do we have the analytical components necessary to differentiate customers based on their value and needs?

- Have we created a current map of our interactions with the customer across all touchpoints, and defined an ideal state of interaction from the customer's perspective?
- Have we created a feedback loop to ensure a Learning Relationship with customers – am I implementing what my customers have asked for?
- Have I empowered employees appropriately to deliver positive customer experiences?
- Have I defined metrics that will indicate the effectiveness of my customer experience management strategy?

**Peers.** It used to be that the company shouldered the entire burden for creating the products, marketing to them and servicing them. Today, the social web has changed all of that. Leading companies are tapping into the power of their customers through social media to learn how to improve products or experiences and even create new ones. When a customer has a positive experience, they become advocates for the company creating new word-of-mouth opportunities. On the other hand, a bad experience at any touchpoint can be detrimental—especially online where the competition is only a click away. Traditionally marketers were taught that the average person tells one to five people about a good experience and ten or more about a bad one. So, it is time to really start paying attention to what is happening online using three basic steps.

- **Listen.** Start by understanding what customers are saying; where they're talking about your brand; what they want; why they want it; and how they want to interact.
- **Learn.** Based on what's learned from listening, the next step is to define objectives for the social media program. Is the goal to tap into customers for ideas for new products or enhancements? Is it a way for customers to share ideas about how to use the products or to test new ideas? Is the goal to learn about customer service challenges or create brand advocates?
- **Activate.** Don't do it all at once. Start with a pilot, document the results and then develop the people, process and technology plan to implement an ongoing program.

**Traditionally marketers were taught that the average person tells one to five people about a good experience and ten or more about a bad one. So, it is time to really start paying attention to what is happening online.**

## Measuring the impact

How can a firm measure the effectiveness of the customer experience? In an increasingly pragmatic world, companies need to understand how to assess the return on investment from a customer experience management strategy. From enabling technologies to re-designed processes to employee training and communication, firms need to know if these efforts are bearing fruit for both the company and the customer.

Leading indicators can serve as metrics to gauge the success of delivering on the customer experience. These will be dependent on the business model, the make-up of the organization, the channel in which the customer is having the experience, etc. The important thing is to set metrics and measure over time. In some companies, these are areas already calculated.

Collectively, however, they contribute to gauging the effectiveness of how a company is delivering against the customer experience in the context of product, people and process.

For example, an online retailer might look to shopping cart abandonment metrics to assess how effectively the customer experience plays out on their web site. A call center might turn to first call resolution and customer satisfaction ratings. The success of field sales interactions can be measured through revenue per customer and upsell percentage. The enterprise must look to all interaction points and determine the metrics that illustrate customer experience effectiveness.

It is critical to note that the metrics a company chooses must have cross-functional owners and supporting infrastructure to ensure accountability and delivery of the customer experience across functional areas. Aligning those metrics to the values and needs of customers, relative to the industry and company, helps build long-term customer equity for the enterprise.

### Customer experience management: A business imperative

This overview offers a framework through which organizations can view their customer experience management strategy. It is an area that demands focus as customers are becoming increasingly demanding of companies. We saw in our initial example how the customer experience alone translates directly to the bottom line.

Delivering a positive customer experience for Doris not only resulted in additional business for Premier Telecom; the interaction itself, as well as Doris' rejection of a lower-priced provider, built additional customer equity in the relationship. Conversely, Source Telecom's lack of integration and commitment to deliver even the basic requirements of a satisfactory customer experience cost the company an individual's business. The customer's experience, before, during and after his or her interactions with a company not only leave a customer satisfied, but leave a company with a growing, profitable means to cultivate customer equity that begins and ends with a firm's most important asset—the customer. ■



### Leading indications to assess customer experience management effectiveness

#### Customer value metrics

- Share of wallet
- Up-sell rate
- Cross-sell rate
- Customer profitability
- Cost to serve

#### Affinity metrics

- Customer engagement
- Customer satisfaction
- Customer loyalty
- Net Promoter Score
- Relationship strength
- Customer retention
- Customer churn
- Shopping cart abandonment
- Number of customer complaints

#### Organizational performance metrics

- Employee engagement
- Turnover
- Net Promoter Score as a place to work

## About Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by acquiring, retaining and growing profitable customers. As products become commodities and globalization picks up speed, customers have become the scarcest resource in business. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering superior customer-centric business strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus customer-facing resources to improve the performance of their marketing, sales and service initiatives.

For more information, visit [www.peppersandrogersgroup.com](http://www.peppersandrogersgroup.com)

Peppers & Rogers Group strategy. execution. results.

Peppers & Rogers Group  
901 Main Avenue, Suite 212  
Norwalk, CT 06851 United States  
Tel: 203 642 5121  
Fax: 203 642 5306