

customer MANAGEMENT

STRATEGY AND PRACTICE FOR THE CUSTOMER-DRIVEN ENTERPRISE

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**A GREAT CUSTOMER
EXPERIENCE MUST BE PROVIDED
EVERYWHERE - THE STORE,
SERVICE CENTRE AND WEBSITE.
TO DELIVER GREAT EXPERIENCES
ACROSS AN ORGANISATION
THEY MUST IDENTIFY THE
DIFFERENT FUNCTIONS THAT
ARE RESPONSIBLE FOR
PROVIDING THE EXPERIENCE -
EXPERIENCE CREATORS AND
EXPERIENCE ENABLERS**

Customer loyalty

why we don't deserve it

Everybody is talking about the 'customer experience' - but too many organisations are measuring it from their own rather than their customers' perspective. Lior Arussy reports on some shocking new research that shows most business leaders admit they do not deserve the loyalty of their customers

At the core of relationships between companies and their customers lies the exchange. Companies exchange experiences for financial reward and customer loyalty, and vice versa. More value provided will yield more financial rewards, and the period of time over which a company delivers great experiences will determine the extent and duration of their customers' loyalty. However, when customers perceive the value delivered by a company to be equal to the value delivered by its competitors, they will be less inclined to stay loyal and give them their business.

While delivering great value to customers sounds simple, reality paints a radically different picture. The 2006 Strativity Group Global Customer Experience Management study demonstrates a downward trend in corporate-customer relationships as executives continue to express a low level of confidence in their organisations' commitment to customers. Despite all of the customer-centric programmes, declarations, posters and stickers, they continually fail to deliver on the promise of delightful and exciting customer experiences.

The study's findings are a damning indictment of corporate commitment to customers. See Diagram 1 on p14)

- Only 40% of the global respondents agreed that their company deserves the customer's loyalty, down from 46.1% in 2005.

- 49.5% agreed that their company delivers a unique and beneficial product to customers.
- 56% claimed that their products or services are worth the price they charge.
- 65.8% stated that their company's executives do not meet with customers frequently (compared to 66.8% in 2005).
- 55.9% stated that their relationship with the customer is not well defined (down from 59.2% in 2005).
- 38.3% stated that their company takes any customer that is willing to pay (compared to 42% in 2005). In B2B, the number is 41%, and in services it is 34%.

2006 was generally considered a great year for many corporations during which revenues increased, margins improved and profits were high. Yet not even financial success drove companies to significantly invest in their value propositions, experiences and customer relationships. The sober responses of 309 executives illustrates that commitment to customers remains weak and is not connected to corporate financial health.

A primary area for concern is employee and manager conviction regarding the quality of products and services that their organisations provide. Only 49% of respondents agreed that their company delivers a unique product or service while only 56% claimed that their products are worth the price they charge. This lack of conviction finds its way into employee



- commitment and loyalty to their employers. Only 54% of employees claimed that their companies deserve their loyalty.

At the heart of great customer experiences lies competitive differentiation and overall value. Companies that deliver poor experiences do so because they routinely fail to create and deliver innovative and distinct customer experiences that command premium prices and customer loyalty. These low quality experiences weaken the foundation of customer-company relationships, which lead to increases in customer complaints, demands for discounts and the likelihood of defection. In order to prevent their customers from seeking greener pastures, companies must constantly be providing them with good reasons to give them their business. Failure to deliver great value and unique customer experiences will accelerate their own commoditisation.

Rethinking your experience basics

When approaching their customer relationships, ask yourselves if the value and experiences you provide are worth the price you charge. Asked differently, "does your company deliver sufficient value to keep your existing customers and attract new ones?"

Results from the Strativity Group study indicate that the quality of their experiences and overall value are so poor that few

executives expect their customers to stay loyal. However, what few fail to realise is that compensating for poor experiences and overall value will lead to escalating costs in the attempt to retain unhappy, unsatisfied and disloyal customers who are in danger of defecting to the competition. Marketing and sales costs will skyrocket, and companies will be forced to offer more incentives and discounts to prevent attrition.

Let's make sure we are all on the same page, before we examine the basics. The customer experience is the sum of everything that you deliver to your customers and this experience is your organisation's value proposition. Beginning with the first time you touch a customer, be it advertising, web site or a sales person, through post sales interactions (e.g. invoicing, shipping, customer service), the sum of all of these components are an integral part of the customer experience and represent your core value proposition. If the experience excites customers and exceeds their expectations, you can expect customers to reciprocate with extended loyalty and repeat business.

Rethinking the basics of customer relationships requires adhering to the framework outlined (see Diagram 2 on p14) and examining the dimensions of the customer experience. *For more on this and also the 10 deadly sins of customer surveys go to www.customermanagement.co.uk*

Meeting expectations is boring

Hyper competitive industries, customer fickleness and the seemingly unlimited choices available to customers mean that simply meeting expectations will be seen as boring and unmemorable. To be different, exciting and above all, relevant, companies must exceed expectations.

For many companies, customer strategy initiatives centre on removing dissatisfiers (see Diagram 3 on p14). Following extensive customer satisfaction surveys and internal assessments, companies identify broken processes and deploy process design engineers to fix them. During a recent consulting engagement, a CEO boasted that his company had fixed a process that reduced inaccurate invoices by 90%. When I asked how he intended to attract new customers with more accurate invoices, I was greeted by silence and am still waiting for an answer.

While fixing broken processes is important, recognise that efficient and sensible processes will rarely enable you to charge premium prices, attract new customers and command customer loyalty. Fixing processes will take your organisation to competitive parity, not elevate you above your competitors. If you haven't addressed the dissatisfiers, it's time to get moving. But do not stop there. To forge lasting and profitable customer relationships you must exceed expectations, not merely meet them.

To exceed customer expectations, companies cannot rely solely on input from customer surveys and focus groups. Customers generally express dissatisfaction with specific processes and policies, but rarely suggest radical and innovative ideas. To exceed expectations and go beyond parity, companies need to think creatively about innovative experiences that will excite and delight customers. When creating innovative experiences, concentrate on the

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following experience elements:

- **Products or services** – This represents the core value proposition and is the most important element in the overall experience.
- **Processes** – Procedures and practices that support the product and its associated services such as shipping and complaint handling.
- **People** – Individuals in charge of designing and delivering the experience. From R&D and manufacturing to customer service, each employee needs the requisite information, tools and authority to deliver the experience.
- **Paper and Information** – Includes all forms of communication to customers such as product sheets, general brochures, website(s), invoices and shipping manifests.

Only a holistic approach to experience innovation can ensure that no dissatisfiers are present in the experiences your organisation provides. Additionally, setting the bar high enough will ensure that your experiences will be unique, and will keep your existing customers while attracting new ones.

Every touch point matters

In examining the fundamentals of customer relationships, recognise that every touch point matters. A great customer experience must be provided everywhere - the store, service centre and website. To deliver great experiences across an organisation, organisations must identify the different functions that are responsible for providing the experience - the experience creators and experience enablers.

Experience creators are customer facing organisations such as marketing, sales, website and customer service. Every action taking place by experience creators is crucial to the total value perception of

3 out of 4

connections to the Internet are now via broadband.

This means that a huge proportion of your customers treat electronic communication - email and internet - in the same way that they treat the telephone; it's convenient and it's always on.

And in many ways electronic communication is even more convenient than the telephone - no waiting in queues, no pushing buttons.

What does this mean for your call centre?

It means that your call centre and your internet strategy need to combine to optimise your revenues.

Such as? One of our customers uses the **rostrvm** call centre software suite to bring together web and call centre contact.

The *idea* is *simple*

- when a prospect visits the web site, if a purchase isn't made then a call centre agent gets in contact straight away to find out why.

The *results* are *dramatic*

a **25-fold increase in sales conversion when a prospect is called by an agent**

From day one of a **rostrvm** installation you could see:

- **10-fold** agent productivity increase
- streamlined processes
- comprehensive real-time management reporting

When we say '**rostrvm** - inspiring call centres' we mean it. Over our 21-year history our product suite has evolved to anticipate the fast-moving demands of your call centre.

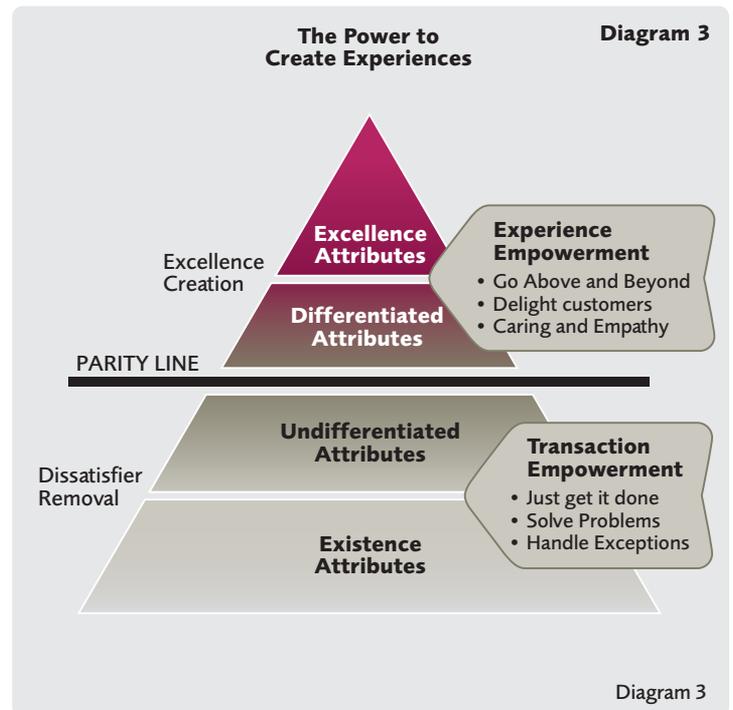
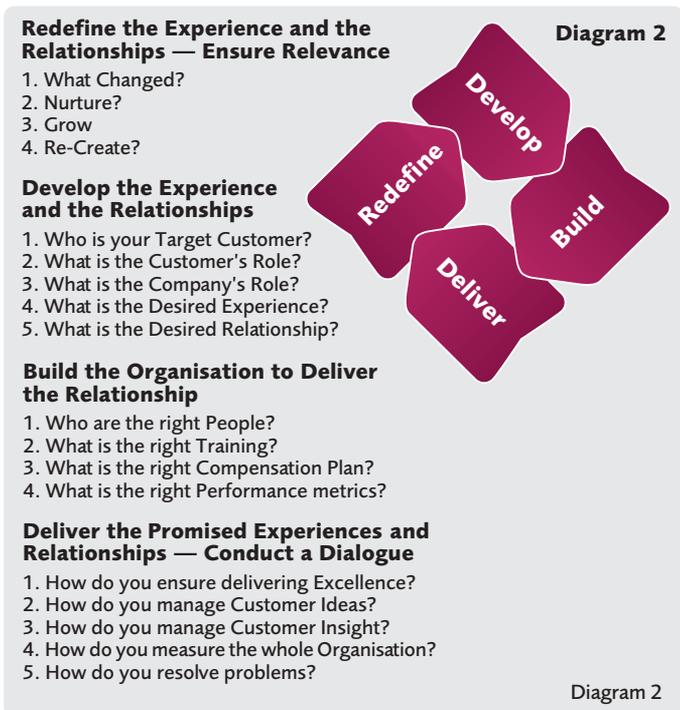
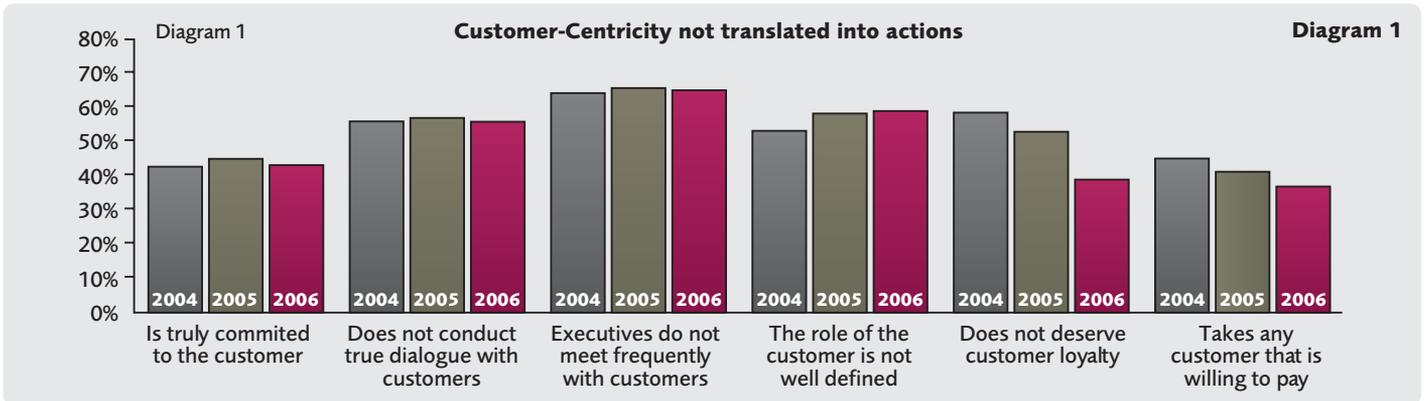
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► the customers. Employees working as experience creators ultimately determine the future and financial viability of the company. Delivering great experiences will generate repeat and new business, while boring experiences will ultimately lead the company into financial distress.

Experience enablers function behind the scenes and typically include accounting, legal, IT and human resources organisations. While these individuals might not interact with customers on a regular basis, their actions are crucial to the quality of the customer experience. If the HR department does not recruit customer-centric employees, the quality of the experience will suffer. If the legal department requires that marketing brochures use language that is likely to confuse the average customer,

the experience will suffer. The quality of the experience is directly related to the actions carried out by experience enablers. Each employee (whether recognising it or not) is in the business of serving customers.

To maintain high quality customer relationships, employees must work together and assume ownership over a portion of the experience. Information transfer between functions and touch points needs to be smooth and seamless. The customer should not be exposed to any discrepancies in the experience quality when dealing with the different touch points in the organisation. For example, if a customer has a pending fraud complaint, the billing department should not send the customer an invoice for the item in question.

Ultimately, every organisation is only as

good as its weakest link. Loyalty is not driven solely by the marketing and customer service departments, and a customer is only loyal or disloyal to the company, not a group or department. If the billing department sends out inaccurate invoices every month or customer account information is frequently unavailable on the website, the experience will suffer. If one touch point is delivering below customer expectations, other touch points will suffer the consequences and customer loyalty to the entire organisation will diminish.

The economics of relationships

Despite the importance of delivering great customer experiences, most companies fail to understand its importance. Many companies view customer experiences as

an additional cost and not as a way to grow business and profits. In the absence of a true, financially-driven understanding of the economics of relationships, companies will continually fail to realise their customer centric strategies. Companies will subsequently succumb to making small, incremental changes rather than ones that truly enhance the customer relationship and that differentiates themselves from competitive norms.

The 2006 Strativity Group Global Customer Experience Management study illustrates that the great majority of respondents do know the financial basics of customer relationships including the cost of new customers, the cost of complaints, the average customer value, and customer churn rate.

- Only 50.3% of global respondents know their organisations' annual retention rate.
- 70.8% do not know average annual customer value.
- 81% do not know the cost of a complaint.
- 75.1% do not know the cost of a new customer.
- Only 19.7% know the cost of a total resolution.

Delivering differentiated customer experience is not an option. It is an issue of profitability. A great experience will stand out vis-à-vis its competitors and be recognised as different and engaging. This is a race for customer loyalty and the vendor that most successfully wins the battle for the customer experience will win the most business and generate the most loyalty. Customer loyalty leads to longer and deeper relationships. The longer customers give you their business and share their experience with others, the more repeat and new business you will generate. Today's customers are fickle and companies have a limited period of time in which to ensure that their customers do not leave them for their competitors. Customer investment is high and companies want to see a higher and faster return on that investment. Delivering customer experiences that excite and delight is the key to driving revenue growth and maximising customer profitability.

Companies that deliver engaging and

EMPLOYEES: THE EXPERIENCE CREATORS

THE TOPIC OF employee experiences is often neglected by executives who assume that employees will simply follow the organisation's rules and guidelines. As such, employees are often perceived as secondary to the customer experience, a perception that will be lethal to the organisation's ability to deliver great customer experiences and increase overall business.

In a competitive environment where every interaction matters, organisations are more than ever, depending on their employees to deliver great experiences. Creativity, innovation, sincerity and leadership are a few of the critical employee skills that are needed to support the design and delivery of differentiating customer experiences. Where in the past, simply following the rules sufficed, employees are increasingly being asked to demonstrate passion, sincerity and creativity. In today's environment, the core experience

differentiators are the employees.

Demonstrating passion, creativity, sincerity and leadership depends on employee loyalty – and loyalty can never be taken for granted. In fact, as Strativity Group's CEM study illustrates, recent trends point to diminishing employee loyalty. In 2006, only 54% of employees claimed that their companies deserve their loyalty. By signing a contract, employees agree to work for you and are only committed to doing what is asked in return for a paycheck. They are not committed to believing in the organisation and being passionate about their jobs. Companies must establish and keep the pride in the organisation if they want to build an organisation that is sincere, cares and is willing to do whatever it takes to make their customers happy.

Establishing pride and passion entails more than banners, t-shirts and posters. Organisations must provide employees with the requisite tools and

authority to do their jobs. Strativity Group found that in 2006, less than 34% of respondents claimed that their employees have the tools and authority to solve customers' problems. Additionally, fixing processes and policies that are at odds with common sense are critical to demonstrating loyalty to the very attitudes and experiences that companies expect from their employees. Incentives and recognition programmes should be created to demonstrate organisational commitment to customer-centricity and also to encourage employees to continually deliver great customer experiences. High quality customer experiences are more than just the products and services you provide. The ability to persuade employees to go beyond what is required and deliver experiences that exceed customer expectations on a day-to-day basis is the key to building strong customer relationships.

delightful customer experiences do not have altruistic motives. They realise that there is a direct correlation between high quality customer experiences and corporate profitability. By delivering great customer experiences, these companies hope to reap the benefits in the following areas:

- Purchase size per customer
- Purchase frequency
- Premium price paid
- Overall wallet share
- Lifetime customer value
- Customer referrals
- Length of relationships
- Profit margins
- Cross sells opportunities
- Up sells opportunities
- Sales force effectiveness

For many years, companies tried to be greedy through efficiencies. They reduced costs, diminished overall value to customers and expected to realise financial gains. Their customers who saw little reason to stay loyal and give them their business became less satisfied, complained more often and increasingly demanded

discounts to compensate for poor value and boring experiences. It's time to try a different approach.

Delivering great customer experiences is about greed through love. Companies are in the business of making money, and providing enduring experiences is about loving your customers for the ultimate reason of increasing revenue and profits. Through customer experiences that excite and delight, customers will become repeat consumers, evangelists and partners who will make constant referrals and provide you with ideas for improvement. Delivering customer experiences that excite and delight will put your company on the path towards increased revenue and profitability. ■■



ABOUT THE AUTHOR

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