



Passion!

CRM That Fuels The Emotions

Traditionally businesses have focused on their product, but today it's hard to maintain customers with just brand recognition – as cultural shifts mean it's the total customer experience that's most highly valued. Read on for the latest on CRM, brand value and the customer experience **By Neil Stewart**

Traditional ways for organisations to differentiate themselves are becoming harder and harder. Price, quality, accessibility, delivery, product features and many other facets of business have all been squeezed, redeveloped, improved and modified time and again to get an edge on competitors. It's becoming more widely accepted that the next battleground for differentiation that will increase growth and long term loyalty will be in delivering 'great customer experiences'. The following should also be remembered;

- It costs nearly five times more to acquire a new cus-

tomers than to retain an existing one.

- A 5% increase in loyalty can increase profits by 25% to 85%.
- A dissatisfied customer will tell up to ten people about an unhappy experience – even more if the problem was serious.
- Satisfied customers tell five other people about their good treatment.
- 31% of customers who experience service problems never register complaints, because it is 'too much trouble', there's no easy channel of communications or because they believe no one cares.

- Of that 31%, as few as 9% will do additional business with the company.

- Loyal satisfied customers are more apt to recommend a company, providing word-of-mouth advertising which is the most effective and least expensive sales promotion there is.

- A very satisfied customer is nearly six times more likely to be loyal and to repurchase and/or recommend your product than is a customer who is just satisfied

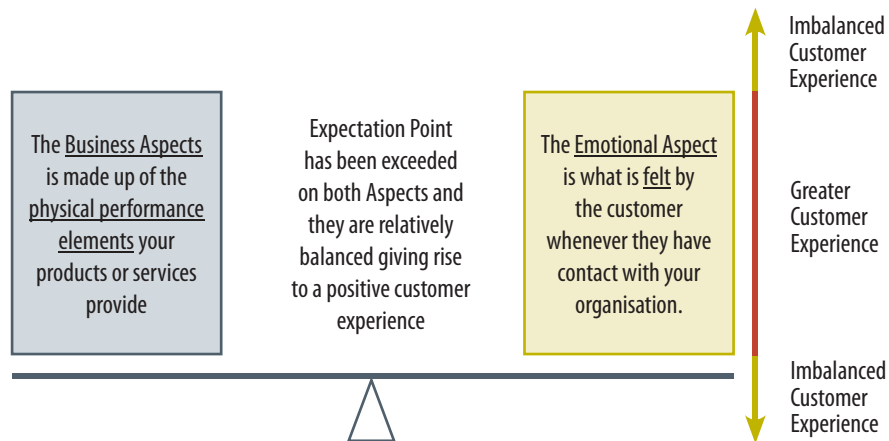
Saatchi & Saatchi's Kevin Roberts, says in his book, Lovemarks, The Future Beyond Brands, that "brands have simply run out of juice." And the solution to this problem is "the creation of products and experiences that have the power to create long-term emotional relationships with consumers." Robert's goes on to say "the essential difference between emotion and reason is that emotion leads to action while reason leads to conclusions." He notes that "the Lovemarks of this new century will be the brands and businesses that create genuine emotional connections with the communities and networks they live in. This means getting up close and personal. And no one is going to let you get close enough to touch them unless they respect what you do and who you are." So it's about the total customer experience that consumers have with you as an organisation, the products you peddle, the price, the promotion – all the traditional business aspects – plus the emotions that you evoke in them.

Feelings, nothing more than feelings

The majority of people when asked to describe a great customer experience talk about how they were made to feel rather than about the product or service. They raise the emotional bond as the most important factor in the experience. Both aspects, however, require a certain point of expectation to be reached in order to provide a good customer experience. The more these expectations are exceeded on both levels, the greater the customer experience. A great customer experience can therefore be described as a well balanced combination of the business and the emotional aspects of frequent interaction where personal points of expectation on both aspects are constantly met, often exceeded and regularly infused with 'moments of magic'.

The majority of organisations, however, have focused heavily on the business or physical aspects and have ignored, or not yet realised, the negative impact that ignoring the emotional aspects can have on the customer experience and therefore retention and loyalty.

Many companies who have implemented customer relationship management (CRM) technology have focused their efforts internally on reducing costs, increasing efficiencies, and streamlining processes. They have looked at it from how can we do things smarter and therefore reduce our costs. Not a bad idea but this is less about 'customer relationship management' and more about 'profit management'. They have focused on the business aspects. These types of CRM imple-

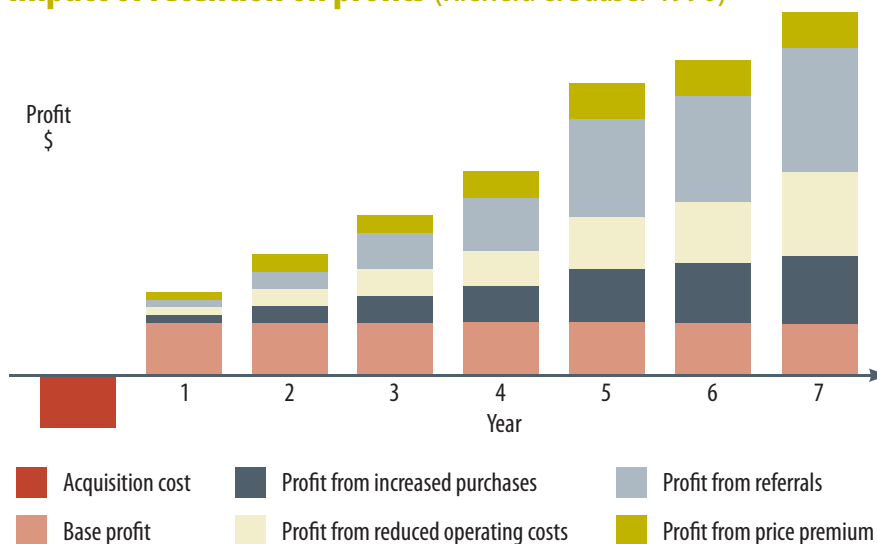


Examples of some Physical (Business) & Emotional Aspects



Adapted from Building Great Customer Experiences, Shaw and Ivens.

Impact of retention on profits (Rieheld & Saaser 1990)



mentations are more about the company's internal operations than they are about the customer and what their experience is of the company and its brands.

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'Differentiation' not being where you are just different from other companies, as this can be a 'good' or 'bad' difference, but where it is 'viewed as a significant positive difference that is experienced by the customer'. CRM technology can help an organisation create a significant positive difference. And, although vital it is only one part of the puzzle, it is an essential element that in the right hands, with the right corporate culture, can help deliver great customer experiences. This in turn leads to the holy grail of retention and loyalty.

Before an organisation rushes in and implements CRM technology, however, it needs to formulate its CRM strategy and clearly understand the concepts behind growing great customer experiences and what makes up a great customer experience. It needs to be able to relate this experience directly to its prospects and customers, its organisation, the brands and services it offers, the various departments and the individual roles within the organisation then, and only then should it start to explore CRM technology. Customer experience and CRM are inextricably linked as customers choose to either support or not to support a brand through their direct experiences across all interactions, physical and emotional, with the company. CRM, therefore, should be about enhancing brand value by delivering great customer experiences each time an organisation interacts with its customers.

About the author:

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Introducing CRE

If CRM is so closely linked with the customer experience should it be called CRM, or perhaps CRE. Creative Strategies' David B. Polinchock, says "Like many people, I have a Palm Pilot that keeps track of all of my important contact information. It tells me about upcoming events and reminds me of birthdays, anniversaries and the like. To illustrate the difference between CRM and what I call CRE - Customer Relationship Experience. My Palm is CRM. All of the data

is there, my contact logs, important dates, all of my history with my people. Having all of the information available is CRM. Using the information to make sure that Mum gets her Mother's Day card on time is creating the right CRE."

Your brand strategy should include a customer experience strategy. Instead of focusing on what the company can get out of the traditional banded customer by value, think about it as what the customer should experience given their value to the company. Look at your base customer experience? Define what every customer or prospect should experience with your company regardless of value. Once you have defined what this experience should be then look at ways that you can enhance the experience for each value segment. The greater the customer experience, the greater the value they should provide a company based on the loyalty factor ie: the greater the customer experience the higher the loyalty factor. Use your CRM to both segment and help deliver the customer experience.

Ensure that your customer experience segmentation has a migration strategy where you can move customers between brands and experiences. Beware though the downward movement of experiences. For example, if you have a customer that was in the top band and was afforded your best customer experience programme but their value being provided to the company in dollars has dropped off over a period of time, do not drop them down a band without considering the reasons for their drop off. Ask them the rationale or reasons behind their decrease in spend with you prior to making a decision to down grade. It may be a temporary slow down in spend or perhaps they are not directly making the purchase but are influencing the spend of others? A good example is the airline industry. The number of CEOs that have reduced their air travel due to modern technology like video conferencing is enormous, however, they are still responsible for deciding which airlines their company will fly with. Drop their 'experience' category at your peril as they are the influencers and decision makers.

"Rather than buy capabilities (CRM) and then work out what you are going to do with them, you define the few hundred customer experiences that you need to make it work, and in year-one deal with 20 or 30," says Fernando Ricardo of Westpac Bank. "Then you can begin to build the capability that delivers the desired customer experiences."

Also be realistic, some customers don't want an emotionally enriched experience. Some buy on price, some on availability, some on specification. For them, emotional customer experience may not come into it. Some customers are not loyal and never will be. The trick is to match your customer experience to the right customer, to be flexible, understand, be available and maximise the right experience for them. That way you'll build relationship capital with them and they'll return because of it. CRM technology and best practice use thereof should enable this to happen. **1**

More on CRM systems: www.istart.co.nz/crm.htm