

HOW TO DRIVE LOYALTY THROUGH FANTASTIC CUSTOMER EXPERIENCES

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What do Travelodge, First Direct, Addison Lee and the John Lewis Partnership have in common? Loyal customers? Strong brands? Empowered staff? Whichever answer you favour, all are succeeding in the face of severe competition in sectors where costs have been cut to the bone. All manage to deliver fantastic Customer Experiences that differentiate them, drive revenue and profit, and engender loyalty, fulfilling the old adage that successful marketing is 'selling products that don't come back to customers who do'.

While luxury brands like Lexus and Mandarin Oriental are rightly renowned for achieving high levels of customer loyalty by placing the customer at the heart of everything they do, the delivery of great Customer Experiences is not – or should not be – the preserve of premium brands. Achieving this does not have to increase costs: in fact it can actually reduce them. The Six Sigma rule of thumb states that approximately 30% of business costs result from correcting errors – failing to identify and provide what it was that customers really wanted when they first requested it.

In order to counter this and deliver consistently great Customer Experiences, organisations must be prepared to shift their focus and look at things from the customer's perspective.

What is a 'Customer Experience'?

A Customer Experience is the embodiment of the brand: it covers all interaction between an organisation and a customer.

Essentially, every direct or indirect contact you have with your customers will be measured against their expectations – whether it be the actual performance of the company or the emotions that the interaction evokes – all of which will count either for or against you from then on (see below).

A typical customer experience

You need a new washing machine, so you walk into an electricals department and look around for a member of staff to ask their advice. How do you *feel*? Are you slightly daunted by all those apparently identical white boxes? Perhaps you're worried about sounding stupid because you don't know the difference between 'Platinum Woolmark' and 'Optima Wash System'? Maybe you're confused by the economy ratings and don't know what the difference is between a B and an A+. Then ask yourself how you feel after the conversation – that is, if you manage to find someone to talk to. More informed? Less confused? More assured?

Taking the experiment on a little further, consider how you feel about the delivery of the machine: uncertain as to when it's actually going to turn up? Worried about how much time you're going to have to take off work? Worried about how you're going to get it up the stairs? Concerned about what you're going to do with the old machine? Companies with successful Customer Experiences, such as John Lewis, work to identify and pre-empt these negative feelings by giving you all the information you need before you ask for it – and then deliver on their promises.

Customer Experiences are composed of a group of defined physical and emotional feelings. The former tend to be the hygiene factors, (for example, speed, ease of use, accuracy); while the latter are more likely to be the differentiators (for example, confidence, excitement, belonging). If you succeed in evoking these, a well-managed Customer Experience can generate revenue, reduce costs, build loyalty and provide long-term competitive advantage.

At a top level, successful businesses build Customer Experiences by identifying what their customers feel is most physically and emotionally important to them. They then place these positive feelings at the heart of everything they do – every role, task and output within the organisation – in a deliberate attempt to evoke these reactions at every point of contact.

Brand marketers might chime in here and tell you that this is their job. Unfortunately, too much of what brand specialists do is focused on only one half of the equation: the external communication of the brand. Too little of their resource is focused on ensuring that the correct internal culture, people and processes are in place to make good on the brand promise.

While this all sounds a bit simple and rather obvious, research undertaken by Promisecorp in 2006 showed that two-thirds of the UK's top brands were failing to meet customer expectations; and that the gap between consumers' expectations and experience had widened since they last measured it. The fact that only a few organisations have achieved

excellence in this field indicates the real difficulty and complexity in delivering great Customer Experiences.

Why this? Why now?

The world today is a lot tougher for businesses than it used to be. Products and services have been commoditised and their life cycles shortened in both the B2C and B2B worlds, while former differentiators – such as price and quality – have been relegated to mere hygiene factors. What you sell is becoming secondary to how you sell.

The inexorable rise of consumers' expectations, power, knowledge and access to information over the last 20 years is so well documented that it barely needs to be stated. At the same time, companies are failing to deliver on their promises – giving rise to ever-increasing consumer scepticism – and watching their brand loyalty suffer as a result.

A study undertaken for the London Business School in 2006 found that around 80% of the FTSE 100 companies surveyed considered Customer Experience management to be very important and that they pledged to devote increasing emphasis to it in the future.

But despite this emerging recognition, the bold talk has yet to be walked. Only one-third of the organisations surveyed employed someone specifically responsible for Customer Experience; in most, the responsibility was either unclear or spread across numerous positions within the organisation. Multi-channel integration poses an even

greater challenge: responsibility for online and offline was often dispersed across multiple individuals.

As ever, the US is well ahead of the UK and Europe in the Customer Experience revolution. Their experience has highlighted the paramount importance of appointing a senior-level executive responsible for co-ordinating Customer Experience across all channels and business units. Unfortunately, UK businesses seem a little reluctant to take on lessons already learned elsewhere.

Given that Customer Experience is the embodiment of the brand, it should come as no surprise to learn that B2C companies are more likely to have a person responsible for this than their B2B counterparts. However, Customer Experience is just as important here as in the consumer world. B2B customers are everyday consumers as soon as they step away from their desks, so why shouldn't they expect their business banking facilities to be just as straight-

forward and sophisticated as their First Direct current account? Why shouldn't computer peripheral ordering be as easy and reliable as buying books from Amazon?

The Customer Experience ecosystem

The delivery of great Customer Experiences touches every facet of a business. As a result, improving the delivered experience can be a daunting task, especially when it means huge shifts in the company's culture and basic operating processes. The Customer Experience is not just a fragment within a linear purchasing or aftercare process, but is woven throughout every aspect of the Customer Journey. It is the guiding principle by which the whole organisation is directed, structured, populated, targeted and measured.

By mapping out the entire Customer Experience ecosystem, companies can bring some clarity to this all-important area. The ecosystem is a visual representation of all the possible inputs



that need to be co-ordinated in order to deliver a great Customer Experience. It allows us to map the relationships and interdependencies of the full range of inputs and striven-for results. On the input side, this includes top-line considerations such as customer, channel, environment, company, brand and competitors. Drilling further down, customer can then be sub-divided into touchpoints, segmentation and prioritisation, customer needs, Customer Journey and CRM, each of which sub-divides to a point of tactical consideration.

On the results side, the inputs can be mapped against improvements in business value, employee value and – of course – customer value, one segment of which is customer loyalty. The other considerations are detailed in Figure 1. It is only by adopting this holistic approach that companies can work towards delivering consistently optimised Customer Experiences.

Unfortunately, managing something as dispersed as this requires a degree of nurturing and protection. This can be exacerbated when businesses expand and some of the elements that made it special in the first place are eroded and discarded.

This can be seen in the case of Starbucks (see case studies), where decisions made from the 'inside-out' have harmed the Customer Experience as a whole. Often operational or financial, and deemed expedient in isolation, these decisions are made from an internal, organisational perspective rather than from the 'outside-in' – the customer's perspective,

also highlighted in the British Airways case. In addition, the Starbucks example also underlines the importance of every element of the business being focused on the same fundamental objectives – or in other words on delivering a consistent Customer Experience.

Case studies

British Airways

British Airways has been undergoing change since privatisation in 1987. Some Customer Experience elements have been introduced with considerable success: the simplification of its flight pricing and booking process was a direct response to its customers' identified needs for clarity and simplicity, as well as countering the innovations of its low-cost competitors. However, the ongoing trade union issues indicate that certain elements are still focused on internal affairs rather than on external customer needs.

John Lewis Partnership

By contrast, the John Lewis Partnership focuses solely on the customer and hardwires this into the business, supported through recruitment, training, remuneration, commercial policies, processes, targeting and measures. For example, if a customer enquires about a product, staff are trained to show the customer to the product rather than just let them find their own way. This simple act removes the negative feeling of uncertainty and replaces it with a positive sense of assurance. Although John Lewis doesn't call this 'Customer Experience', this is exactly what it is. Research has placed Waitrose and John Lewis as the nation's favourite shops for the past three years, achieving record profits and astonishing levels of customer loyalty.

Starbucks

By its own admission, Starbucks is a classic example of the deterioration of Customer Experience. The recent memo written by its chairman, Charles Schultz, highlighted all the small actions that had, in retrospect, combined to erode the Starbucks experience and commoditise its brand, as it sought to grow from 1,000 stores to more than 13,000. The introduction of automatic espresso machines improved the speed of service, but reduced the sense of theatre; while the outlets increased size placed a physical barrier between the staff and their customers. The move away from bagged coffee was a sound decision financially, but it removed the coffee aroma from the stores; and the move towards standard store designs may have made rapid rollout easy, but it substantially reduced any sense of store individuality.

Where to start

From the company's perspective, a consistent Customer Experience should define how every role, task and output within the organisation is defined, actioned, quantified and measured.

As its embodiment, the starting point for all Customer Experiences should be the brand. The brand values should be reflected in the elements making up the overall experience.

However, it is not always quite that simple. Poorly articulated or woolly brand values will yield poorly articulated and woolly Customer Experiences. Alternatively, over-promising and raising expectations to unreasonable or unnecessary levels can be just as big a problem as under-delivery. In short, companies need to be clear on the brand before using it as a starting point for Customer Experience.

In addition to having clearly defined brands, success relies on businesses thinking from the 'outside-in' rather than the 'inside-out'. Companies that have achieved this, such as John Lewis, have sought to identify their customers' needs and how they feel, before providing their staff with demonstrable ways of inducing these positive feelings and reactions across all points of brand interaction. Any new initiatives and actions will then be judged not only on standard internal measures such as ROI, but also against Customer Experience measures, such as enduring customer loyalty.

Nothing sums this up more than the adage 'selling products that don't come back to people that do'. By anticipating customers' worries and concerns to create a more positive purchasing experience, companies can work to ensure that their customers come back time and time again.

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