# The Four Essentials of a Profitable Customer Experience

*According to 90 percent of companies, the most important elements of a positive experience are: reliable products and services, relevance of interactions, responsiveness of the company, and ease of doing business.*

—Bloomberg Businessweek
Research Services survey, 2010

If money were no object, just about any company could provide an amazing customer experience. Given unlimited resources, there is no end to the perks and extras you could provide your customers. And in industries such as luxury retail, where getting noticed is the name of the game, some companies have taken that approach. When you step through the doors of Neiman Marcus, for example, you know that you are in for a deluxe shopping experience. This is something that high-end retailers can afford to do, because customers are prepared for the price of the merchandise to reflect the chichi experience.

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**SPOTLIGHT ON:** *Commerce Bank*

Commerce Bank in St. Louis sees itself as a retailer (as opposed to a financial institution), which has helped the bank create an experience that aligns with the customer experience essential of convenience. It uses its motto of "Ask. Listen. Solve." to rid itself of anything that unnecessarily robs customers of an enjoyable experience. For instance, it offers

- Convenience
- Seven-day branch banking
- Extended hours
- Free penny arcade coin-counting machines
- Hassle-free products
- Treats for children and dogs

No wonder the bank has had the highest customer satisfaction rating in retail banking in the Midwest region for three years in a row, according to J.D. Power & Associates.

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But throwing all your money into dazzling the customer is not sustainable for most businesses, especially not in today's world, where customer expectations are constantly increasing. Companies can no longer compete on price and product alone; they need to spend intelligently to develop and offer services and experiences that truly matter to customers *and* that are difficult for competitors to replicate. "Treat the customer the way you would like to be treated if you were the customer," advises Peppers & Rogers Group's Don Peppers. "Use the Golden Rule. Imagine your best customer is sitting next to you when you're making decisions."

After all, the customer experience must—in the end—differentiate you from your competitors. And you need to achieve this differentiation in a way that is consistent and, ultimately, profitable. The "bank of appreciation" that we discussed in Chapter 1 needs to be valuable enough that customers become loyal advocates who trust

you and want to engage with you. The value you offer needs to be delivered in a cost-effective way that leads to competitive differentiation and growth. Otherwise, simply put, there is no reason to do it.

"If there's no financial driver, we don't recommend companies do this," says Lior Arussy, president of Strativity Group and author of many books on the customer experience, including his most recent, *Customer Experience Strategy*. "It has to be something you can point to and say, 'We have moved the needle on either revenues or expenses.'"

Financial goals need to be front and center in the customer experience initiative as part of the business case. Companies can realistically aim for several financial drivers, in addition to new ways to measure business outcomes. (We will discuss these topics in more detail in Chapters 6 and 10.) Briefly, realistic business drivers can include higher revenues, the ability to institute premium pricing, improved customer retention rates, more word-of-mouth marketing, and reduced costs as a result of streamlined and innovative processes.

## The Building Blocks of Trust

So how do you get there? How do you build that bank of appreciation without breaking the bank? How do you do it in a way that leads to profits and growth? We believe it is all about trust—a seemingly amorphous concept, but one that we strongly believe is the cement of a business relationship. Only when you have established trust between the business and the customer can you begin to form an emotional bond—"stickiness," if you will—that cannot be replicated by anyone else and will keep customers loyal to you.

We also have found that, on closer inspection, trust is not a blurry concept at all. In our customer experience work, we have determined that there are four building blocks of trust. We call these the *essentials* of the customer experience edge. These four customer experience essentials are reliability, convenience, responsiveness, and relevance (see Table 2.1 and Figure 2.1).

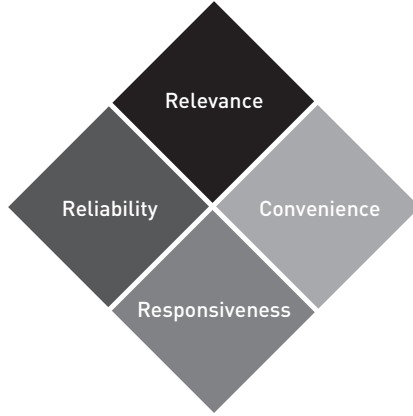**FIGURE 2.1: The Four Essentials of Customer Experience**



**TABLE 2.1: Four Customer Experience Essentials**

| Customer Experience Essential | What It Looks Like |
| --- | --- |
| **Reliability** | Living up to your promises. Example: Consistent on-time delivery, each and every time. |
| **Convenience** | Offering choice, consistency, and timeliness. Example: Using multiple channels to engage with customers. |
| **Responsiveness** | Listening and responding quickly. Example: Changing a process or policy when feedback reveals that it causes problems for customers. |
| **Relevance** | Ensuring that offerings are personalized and meaningful. Example: Gaining insight into, and delivering, what really matters to individual customers at a particular point in time. |

Of these four essentials, reliability is the most fundamental and is really a prerequisite to the other three. After all, if you cannot consistently deliver on your promises, no one will care about your convenience, responsiveness, or relevance. Once you can deliver on reliability, you can look to the other essentials to develop your differentiation. Furthermore, you can use any one of these four customer experience essentials as a litmus test for assessing the ultimate worth
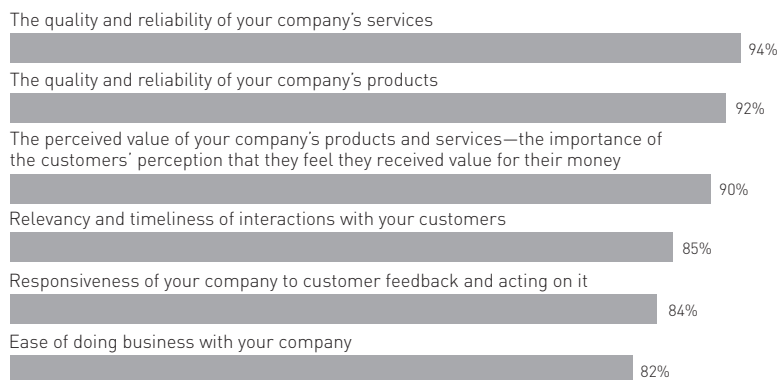
of any action you take in the name of achieving a strong and profitable customer experience.

The importance of these customer experience essentials was validated in the North American survey by Bloomberg Businessweek Research Services (BBRS), in which respondents named the most important elements of a positive experience: reliable products and services, relevance of interactions, responsiveness of the company, and ease (or convenience) of doing business with the company (see Figure 2.2). Throughout this book, we will continue to show, through real company examples, how these four customer experience essentials—these building blocks of trust—form the basis of the customer experience edge.

Business strategy, executive ownership, and organizational alignment are the starting points in driving cross-functional processes to achieve a true 360-degree customer experience. The execution of customer engagement processes must be complete from start to finish, or else the nascent tendrils of trust can be trampled in an instant. To see why, let's look at the example of a pet owner who is shop-

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**FIGURE 2.2: Elements of Customer Experience**

Respondents said their organizations considered the following as the most important elements of a positive experience for their customers (percent of respondents rating each attribute a 4 or 5, on a scale of 1 to 5).

The quality and reliability of your company's services
94%

The quality and reliability of your company's products
92%

The perceived value of your company's products and services—the importance of the customers' perception that they feel they received value for their money
90%

Relevancy and timeliness of interactions with your customers
85%

Responsiveness of your company to customer feedback and acting on it
84%

Ease of doing business with your company
82%

Base: 307 director-level and above executives at midsize and large companies.
Source: Bloomberg Businessweek Research Services, 2010.

ping for medication for her yellow Lab at a Web-based pet supply company. Wondering about the difference between two competing brands, she clicks on the "chat" button and quickly gets a response to her question. Impressed, she places the order, specifying standard shipping, and over dinner that night with her family, she recounts the positive experience.

A week and a half passes, and the order has not arrived within the time frame promised. Having had good luck with chat, she tries this approach again. This time, however, the service rep is unable to help her, as he has no visibility into the order-tracking system. To make matters worse, he tells her that she needs to e-mail or call customer service. She sends an e-mail and then has to wait a full 24 hours before getting a response informing her that, indeed, her order had been shipped three days previously and that it "should" be arriving in the next few days. Eventually it does arrive. However, the customer is likely to examine other options and competitor sites before putting an order through this site again. The opportunity to retain this formerly satisfied customer—let alone turn her into an engaged, loyal advocate—has eroded (not to mention the increased likelihood that she will send a negative tweet or post her disgruntlement on her Facebook page).

This example illustrates several things:

- One-time experiences—no matter how terrific—do not build trust. You need to be consistently good across all phases of customer interaction, regardless of channel. In the BBRS survey, 82 percent of respondents named multichannel consistency as an essential element of a positive customer experience.

- The first experience is very important. You have only one chance to make a first impression with a prospect.

- Get the basics right. You can develop gratifying experiences, such as online chat, but these need to be layered on a strong foundation of working business processes and cross-functional data visibility.

- Once established, trust leads to stronger bonds between customers and the business. Without this bond, customers may be satisfied, but they will never become passionate, loyal advocates of the brand.

Without trust, you cannot hope for loyalty, advocacy, engagement, or participation—all of which are the cornerstones of the customer experience edge. It is only when trust develops that customers will be inclined to, say, provide feedback on how they would like to see a product evolve. Even then, you need to be able to act on that feedback (a customer experience element named by 84 percent of BBRS survey respondents). If your customers give you good ideas and you execute them well, differentiation is within reach.

"Too many companies are treating [the customer experience initiative] as *the* deliverable and whiffing on the practical delivery of service," says Denis Pombriant, founder of the consulting company Beagle Research Group.

## The Cost of Broken Processes

In addition to building trust, getting the customer experience right the first time is also less costly than doing it wrong and having to backtrack. Imagine, for instance, the experience provided by the company everyone loves to hate: the cable services provider. The scenario is all too familiar. You are having problems with your TV, so you book an appointment and are given a three-hour time slot within which your technician is expected to show up. That window is irritating enough to begin with, and it's even more irritating when the technician does not arrive within it. Much as you hate to, you pick up the phone to find out what happened. The call center person usually does not have much information in this situation, but she promises to send an alert out to the field.

By the time the technician finally appears, your plans for the day are shot, and with them, your mood. The technician pokes around,

rummages in his toolkit, and eventually pronounces the problem fixed. But when your kids try to watch the SpongeBob movie on demand that evening, it is apparent that the problem is very much alive and well. Another hour spent on the phone that evening brings another service "window" and a new promise to have the situation remedied. The result: an unhappy customer (you) and a lot of costly support for the company.

Any improvement in this scenario would produce both a better customer experience *and* lower costs to the company. What if the cable company had its quality control and business processes operating at a high level? What if the customer support, customer relationship management (CRM), scheduling, and dispatch processes and

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**SPOTLIGHT ON:** *Comcast*

In the recent past, Comcast took a lot of heat for offering a poor customer experience. But the company has since taken many steps that are aligned with the essentials of the customer experience to respond to these complaints. For instance:

- **Reliability.** Comcast's seven-point Customer Service Guarantee promises that, among other things, it will issue a $20 credit if the technician fails to arrive for a scheduled visit during the appointment window—a testament to its desire for increased reliability.

- **Convenience.** The company is experimenting with whittling its two- to three-hour windows down to just one hour, to enhance customer convenience.

- **Responsiveness.** Comcast claims to have reduced its service calls by four million in the first four months of 2010 vs. 2009, because it monitors and responds to customer problems via social media. "That's a good thing, because that's four million fewer outstanding customer issues," says Rick Germano, senior vice president of national customer operations at Comcast.

systems all functioned together in a way that enabled automatic alerts to be sent—to your smartphone, e-mail, or landline, whichever you chose. That would eliminate the dreaded "window" and give you real visibility as to when the technician would arrive. Customers do not expect a product or service to be perfect, but they do expect the companies they patronize not to be riddled with broken processes. And if we are kept informed while problems are being fixed, we will see that as positive. And, chances are, we will tell our friends how well we were treated.

"There are numerous situations where investing in getting the experience right from the start is a good thing to do from a business standpoint," says Bruce Temkin, a principal with the customer experience consultancy Temkin Group. "And it has the benefit of being good for the customer, as well."

So, what are *you* doing as a company that would inspire people to spend their valuable money, time, and energy with you? For many businesses, the very first answer to that question is ensuring that the fundamental processes are in place and operating at an optimal level. If you promise a 24-hour turnaround on responding to a customer problem, you need to have the processes and people in place to do that. If you promise a discount on a particular product, your pricing across channels should consistently reflect that. If you say that something will arrive in three days, it had better arrive in that time frame. And you had better be able to do this in every channel in which you operate, whether the customer approaches you through an online or a brick-and-mortar channel.

## The Customer-Centric Enterprise

The four essentials of a profitable customer experience need to be built into the culture of the company. The desire—and the ability—to offer convenience, responsiveness, relevance, and reliability has to be pervasive across every department in the company, not just something that only marketing and sales cares about. Product developers,

engineering, finance, legal, the shipping department, and even store associates have to care about creating trust, too. We have determined that a cultural change is required to change the attitudes of everyone within the organization when it comes to how the customer is viewed.

Changing the culture and the attitude comes from the very top of an organization. Senior executives must reconfigure the enterprise, placing the customer—rather than the company's products and services—at the center. This means reengineering processes starting with the customer, from the outside looking in, rather than the converse. (We will discuss this topic in more detail in Chapter 4.) With that critical recasting of the corporate mindset, other decisions—including the choice of technology architecture to support the strategy—flow naturally.

It is one thing to work on the customer experience on the edges or at the margins. It is another to approach it as a transformative, profit-driven initiative that encompasses the entire company. A true customer experience is holistic, placing the customer at the center of the corporate universe. It demands integration of business processes, in which customer service, the call center, marketing, branding, product or service development, technology, manufacturing, and the other functions all work together to serve customers. The customer experience must be orchestrated across channels and touch points throughout the customer life cycle. Such a dramatic change can never be made without the dedicated commitment and vocal support of the company's top leaders. Indeed, the CEO is in the best position to articulate, on a regular basis, why the enterprise needs to focus on its customers, and what that means.

From inside the company, this means that the company is no longer focused on itself—its sales, product offerings, and future plans—but, instead, is focused on its customers and their desires. Such a holistic approach means that customers will never again suffer the problem of having to explain their problem over and over to different employees, with different outcomes. It means that customers who spend heavily through the website, for example, are recognized for their worth across all channels.

It is all too common for the customer experience to be a marginal rather than a whole-company undertaking. Consider an office goods superstore—one whose motto promises an easy shopping experience. A customer spends an hour in the store, analyzing the laptops on display. He decides on a particular unit, one that bears the sign, "Available in-store only." No big deal; he will buy it right now. So he flags down a service representative, who disappears into the back of the

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**SPOTLIGHT ON:** *Coop*

When the Swiss grocer Coop began offering customers an iPhone grocery-shopping app, it ensured that the offering was not just a whimsical "come-on" that made it look hip to the 13 percent of Swiss citizens who carry iPhones. By connecting the app with its own integrated enterprise systems, the offering builds a whole new level of customer trust by aligning with the four customer experience essentials:

- **Convenience.** In Switzerland, stores close in the early evenings and are closed all day on Sundays. With a mobile app, customers can shop while they are commuting to or from work.

- **Responsiveness.** Coop continues to upgrade the mobile app, with improved navigation and search functionality.

- **Relevance.** Switzerland has one of the highest adoption rates of the iPhone in the world, making this a well-targeted platform for a mobile shopping app.

- **Reliability.** Customers can reserve one-hour windows to have groceries delivered before they place their order, so that they do not get locked out of available time frames. Real-time product availability means that customers receive exactly what they order.

(For more on Coop's customer experience edge, see the case study on page 26.)

store to retrieve the model. The rep returns with bad news: that laptop is out of stock. Ever helpful, the service rep checks the inventory in several nearby locations and tracks one down in a store about 20 miles away. Great, the customer says, asking when that store will be able to transfer it to this location so that he can pick it up. "I'm so sorry; we don't do that anymore," the rep admits. "It messes up our inventory."

Frustrated at having wasted his time—and mystified as to why the office supply store would not make this model available online— the customer leaves, with no intention of investing additional time (and gas money) traveling 20 miles out of his way. Two days later, he finds an even better deal on a similar model on eBay.

How close the office supply store had come, and how many things it had done right—a marketing message geared toward what customers want (easy shopping); a knowledgeable, helpful service rep; even the right product mix. But something important was missing: a multilocation, cross-channel, integrated inventory system, and order management system that was flexible enough to meet many customer desires. It is not enough for marketing to be customer-focused; the entire organization needs to be, and its applications need to enable that focus.

This type of customer-centric corporate alignment across every department and function is something that companies are just now realizing that they need to achieve. If the customer experience imperative resides in just one or two departments, it is not transformative; it is just marginal. And that will not be enough to build trust, without which a profitable customer experience is impossible.

## CASE STUDY: COOP

### Grocer Moves Shopping to the Palm of Customers' Hands

*Leveraging both customers' attachment to their iPhones and their long commutes and time-compressed schedules, Switzerland-based Coop is boosting both loyalty and sales with an iPhone shopping app.*

With about 13 percent of the population owning an iPhone, Switzerland has one of the highest adoption rates in the world for Apple's flagship mobile device. On any given day in any large city, Swiss citizens are compulsively surfing the Web on their iPhones, especially as they commute to and from work on public transportation. These two demographic tidbits—high iPhone penetration and long hours on the train—created fertile ground for Switzerland's largest retailer, Coop, to plant not just its new handheld grocery-shopping application but also its customer-driven strategy for boosting revenues and growth.

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*CE ESSENTIALS*

- **Reliability.** Customers can reserve one-hour windows to have their groceries delivered before they place their order, so that they do not get locked out of available time frames. Real-time product availability means that customers receive exactly what they order.

- **Convenience.** In Switzerland, customers have limited grocery-shopping time, as grocers close in the early evenings on weekdays and are closed all day on Sundays. With a mobile app, customers can shop while they are commuting to or from work.

- **Relevance.** Switzerland has one of the highest adoption rates of the iPhone in the world, making this a well-targeted platform for a mobile shopping app.

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Like all retailers, $27 billion Coop fights fiercely for its share of the grocery marketplace. Basel-based Coop's 1,800 stores offer a wide variety of organic foods and wine, with a focus on sustainability. And like many companies around the world, in nearly all industries, the battle lines for Coop are now focused on engaging customers so intimately with its brand that they simply have no reason to turn to the competition.

The grocery business is, after all, highly traditional. As a result, profit margins are razor-thin, and spending on everything from tech-

nology to advertising to marketing campaigns is limited. However, a loyal customer's lifetime value can be great. The trick is to provide a low-cost but comprehensive experience that seals the deal.

To warm the weary hearts of time-pressed Swiss citizens, in May 2009 Coop created an iPhone grocery-shopping application as an adjunct to its already existing online store, coop@home. Coop was making a bold play to endear itself to customers by pioneering a valued capability before its competitors did, thus making it less desirable to use the other grocery brands and more likely that customers would stay with Coop.

### CE PILLARS

- **Operational excellence.** Coop's iPhone application interacts with the retailer's integrated enterprise resource planning (ERP) and CRM systems, enabling real-time product availability, the ability to reserve one-hour delivery windows, and price synchronization across channels.

- **Interaction excellence.** Coop is continually refining its mobile interaction capabilities. It recently improved its navigation and search functionality with a practical filtering function. Customers can also add any item that is currently on their shelf at home to their order by scanning it in via the iPhone camera.

- **Decision-making excellence.** Coop had already created online shopping with home grocery delivery via post or truck. But by researching actual customer behavior, the team realized that putting grocery shopping literally in customers' hands for maximum convenience and relevance would be more compelling.

  For a full discussion of the CE Pillars, see Chapter 7.

Already, customers are voting with their keypads. Coop@home sales now account for 80 million Swiss francs (CHF) per year. Orders

through the iPhone account for 4 million CHF of that total, with higher growth expected. For a modest investment and two months of time, Coop's iPhone initiative has paid off handsomely for company and customers alike.

Such innovations are key to consumer satisfaction with retailers, which must continuously find ways to reinvent value for their customers, according to Dunnhumby, a U.K.-based customer behavior analytics firm. And, it seems, supermarket retailers are catching on. According to a recent Dunnhumby report, which surveyed 1,300 consumers on 59 major companies in eight sectors, U.K.-based supermarket retailers received the highest ratings and were regarded as nearly twice as customer-centric as airlines, which placed second. According to the firm, there is a direct correlation between the commitment that grocers make to their customers and the length of the relationship. This correlation is particularly true when the company delivers highly relevant customer propositions, the Dunnhumby report says.

## Making Customers Feel @home

Lacking brimming coffers to draw from, coop@home focused on deconstructing its customer experience, zeroing in on areas that could be improved without requiring exorbitant investment. "We asked, what will it take to entice someone to shop with us—and then come back again?" says Ellen Brasse, head of marketing and sales at coop@home in Spreitenbach, Switzerland. "We needed to define services that would make customers depend on us more."

When commuters travel on the train, it might take them an hour going and an hour coming home. "Commuters tend to surf the Web, and we knew they had iPhones," Brasse says. Online grocery shopping had always been a natural for this demographic, as commuters have limited time to shop, and no one wants to lug grocery bags on the train.

You often hear that the customer experience is about creating "wow" experiences every day. For Brasse, though, the customer expe-

rience is first about meeting their needs in an elegant, efficient way. "As with any grocery retailer, our top priority is to meet our customers' requirements, then give them a beautiful experience along the way," she says. Coop gives its customers convenience, reliability, and relevant value—all essentials of customer experience.

Coop had already created online shopping with home grocery delivery via post or truck. But by researching actual customer behavior, the team realized that putting grocery shopping literally in customers' hands for maximum convenience and relevance would be more compelling. The Swiss love their iPhones—would iPhone grocery shopping make them love their grocery store?

### Leveraging a Fully Integrated IT Environment

Coop began talking about the i-shopping application with its development partner, Movento Schweiz AG, in 2008. Designing the architecture was straightforward: like the e-shop, the iPhone application would interact with Coop's core SAP ERP and CRM systems.

The integrated CRM and ERP systems are an important linchpin for several key capabilities, including real-time product availability, says Christian Heim, managing director at St. Gallen, Switzerland–based Movento. "The integrated backbone is very valuable for Coop," he says. "We were able to use the latest technology for the Web and the iPhone, and we just extended the [back-end] environment." Because of the integrated back end, there was already synchronization between products and prices, Heim says. "When they change a price in the back end, it automatically gets pushed through to the CRM system," he says. That integration also cut development time. In all, it took about two months to develop coop@home.

"Because Coop had this integrated system in place, we just had to build around the existing infrastructure," Heim explains. The moving parts were already connected, so creating an interface to the handheld was not overly difficult.

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**COOP AT A GLANCE**

- Business description: Largest retailer in Switzerland, focusing on groceries

- Annual revenues: $27 billion

- Number of employees: 75,000

- Number of Coop member households: 2 million

- Number of subscribers to the coop@home weekly e-mail: 130,000

- Number of monthly unique visitors to the coop@home site: Approximately 300,000

- Revenues from iPhone application: 4 million CHF of the 80 million CHF per year from coop@home sales

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Lastly, customers can select one-hour windows in which to have their groceries delivered. "You have to have an integrated system; otherwise, it would be impossible to offer that," Heim says. Customers have the option of reserving their delivery time before they place an order. Anyone who is not within Coop's delivery zone (60 percent of Swiss residents are covered) can get their grocery orders overnight via the postal service.

The customer experience will always have some constraints. Neither Coop nor the post office offers delivery on Sunday. But Coop sees a lot of activity on coop@home on that day, with customers placing their orders while they are out and about—another point of convenience for their busy lives.

### Sustainable Value

Coop's major competitor now offers an iPhone shopping application. However, it lacks a key feature of Coop's offering: customers cannot see immediately whether their products are available. Brasse and her colleagues were adamant that their iPhone app show real-time prices

and product availability, features that are also made possible by integration. This information is especially important when it comes to the purchase of wine, Brasse adds. Coop offers more than 1,000 different wines from around the world, arguably giving it an advantage over its competitor, which does not focus on alcohol. Wine enthusiasts are not big on product substitution. As prices are higher here, it is especially important for shoppers to get the exact bottle they want.

In a recent survey, customers report that they also appreciate features like the ability to add any item that is currently on their shelf at home to their order by scanning it in via the iPhone camera—taking interactivity in shopping to a new level.

Coop is continually refining its iPhone shopping experience. It recently released version 3.0 of the coop@home app, which uses state-of-the-art design elements in addition to improved navigation and search functionality with a practical filtering function. Brasse believes that coop@home increases the grocer's customer satisfaction levels and overall "stickiness," citing jumps in the app's usage on holidays and many Sundays, when stores are closed and customers are vacationing in the mountains. At 5 percent of all coop@home orders, iPhone sales are still only a small percentage of overall revenue, but that number is steadily increasing. "Mobile e-commerce is important to our customers," she says. Because of customer demand (and Web analysis statistics), a coop@home iPad app will be brought to market, as well.