

FROM CRM TO CUSTOMER EXPERIENCE: A NEW REALM FOR INNOVATION

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As the economy evolves and global competition increases, the leading edge of business continues to advance. Not so long ago companies were considering how to improve customer service, but today service is a commodity; then they were investing big money in CRM systems to track customer data. But today the leading edge has moved further still. New competitive pressures are growing around the customer's experience, and the key question is how to provide customers with compelling experiences that create enduring memories and lasting relationships.

What is Customer Experience ?

Part of the challenge in building memorable customer experience is that experience is an intangible quality that is so different from one person to the next. Experiences are built around feelings, emotions, smells, colors, spaces, sounds, human contact, branding, a thousand other factors, and *time*.

A great experience is created - yes created, because it doesn't happen by accident - and it is not only the result of better product features and functions or better services but because of how it makes people feel. A great café has just the right ambience; a great bookstore invites you to stay for hours, and makes you comfortable doing it; a great retail store makes you feel like family; a great brand becomes part of your own identity. All of these happen on purpose, for they are designed experiences.

To design great experiences you have to learn to see the world with different eyes, to understand the customer's unique perspective, because experience is the interaction between a customer and the designed environment.

For example, Krispy Kreme, the maker and retailer of the famous doughnuts, uses the five senses to create a memorable experience for its customers. If you pass by a Krispy Kreme store the smell of the doughnuts might grab you, then you can see and hear the preparation, and finally you can touch and taste some samples before enjoying one yourself! Which is probably why customers wait in line every day in front of its stores.

In the book *The Experience Economy*, authors Joseph Pine and James Gilmore, point out that experience is not about entertaining customers, but engaging them. So what are the main components?

- **Corporate culture translated by employees**

People create experiences. Great experiences are made when employees interact with customers, whether it's in a store, a call-center, or a trade show. A happy employee might make a happy customer, but an unhappy employee certainly will not! Therefore, companies need to understand how an appropriate corporate culture and the right experiences for its employees result in the relationships they want with customers. Home Depot, for example, has a bottom-up culture providing its employees with a great experience (empowerment, knowledge, rewards) and hence the means to create a great customer experiences. The opportunity to take initiative is available to everyone in the company, and many significant ideas and innovations have been created by store managers and workers. Ideas like wedding registries, delivery services, and professional installation have all been worked out by Home Depot employees who just wanted to make their stores better.

At Southwest Airlines, the company is organized so that the relationship between the company and its employees comes first, and they come right out to make the unheard of statement that the customer isn't always right. This helps the employees to feel that they have the full support of the company, which then enables them to provide even better service to their customers.

In *Building Great Customer Experience*, the authors describe Customer Experience Competencies™ as a way to think about how to recruit and train people who are aligned with the customer experience the company wants to deliver. Thus, Apple focuses on recruiting

great engineers who bring to the company other interests and expertise in fields such as music, art, drama, and writing so that they bring their own experiences as *users* of technology to the design and creation of great technology. Recent breakthrough products from Apple include the iPod MP3 player, the iMac, the PowerBook, and the Macintosh operating system, all among the most advanced and user-centered computing technologies available in the world. Without their own experiences as computer users, designers would lack the context to address the subtle needs in designing great tools.

- **Service**

Service is a critical component of experience, and providing good service requires many characteristics, including empathy, sensitivity, and caring. It also requires proper tools - the right information delivered (probably by technology) at the right time; the right products; and the authority to do the right thing.

- **Technology**

In-store technologies such as Wi-Fi (wireless internet connection) or Speedpass (offering speed and convenience for both payment and identification), online access to a company as part of a multi-channel strategy, and related emerging technologies are enhancing products and services and also facilitating greater experiences.

For online stores, obviously, technology becomes the centerpiece because it is the interface to the customer, but even then it's not the whole story. Someone has to design the software right, to anticipate customer needs and provide the right information to users who are online and don't have access to a sales person or customer service. What do other customers think of this product? Amazon has built a customer community on the willingness of their readers to rate books.

- **Architecture, Design, Space**

Architecture is a critical component of the customer experience in retail. When the design of a space is consistent with the type of experience the company wants to deliver, the store can help to build brand awareness and customer commitment. NikeTown in Portland, for example, is one of that city's most popular tourist attractions. Created as a showcase for the entire line of Nike products, and as an homage to athletes around the world who use Nike

products, the store features a dramatic design with engaging photographic and product displays showing leading athletes in action, the store is like a small museum of contemporary sports that enhances the Nike brand and makes an emphatic statement about its role in sport and life. The Nike concept has transformed sporting goods and sports retailing, and NikeTown celebrates this commercial evolution.

- **Marketing, Brand, Promotions**

The retail store experience is one part of the brand, and so is the packaging, advertising, and promotions. Merchandising, color, lighting, and signage also play a role. In Nordstrom, a real piano is still played by a real person many hours a day, and the music floats through the store creating a distinct feeling. Tired after hours of shopping? Then sit on the comfortable couch and enjoy a few songs before carrying on!

- **The Critical Intangible: Trust**

Most of the factors that matter most are intangible, and the very first thing on this list is trust. Do your customers trust you? You'd better know why, or why not! If your customers had a choice, would they choose your company or the competition? What tools are you giving your employees to build trust with customers? The sad truth is that most companies aren't giving their employees any tools for building trust, and as a result a systemic breakdown in the ties that make a market strong. Shoshana Zuboff points out in her recent book *The Support Economy* that customer needs have evolved beyond what most companies can provide. While it's a sad statement about the economy, it does offer some great opportunities for companies that want to build enduring, trusting relationships. These are the companies who will be the first to explore CEM.

From Customer Relationship Management (CRM) to Customer Experience Management (CEM)

CRM is a good marketing name for a technology that may help your company manage customer data, but never make the mistake of thinking that the software is actually managing anything else. Only people and interactions create relationships. Of course it helps to have a complete view of each individual customer, but having the data does not help to create or

reinforce relationships with customers unless some employee actually delivers on the data. CRM can therefore be important, but only in a larger context.

Consider this data: How long does the average customer spend in the cosmetics department of an unnamed retail giant? One minute? Five minutes? Ten? The actual department manager in the actual store believed it was ten. Research by Paco Underhill, author of *Why We Buy*, revealed that the real answer was two minutes for people who only browse, and 2 minutes 30 for people who buy. There's a big difference between ten minutes and two – products and merchandising designed to communicate in 10 minutes will go largely ignored in 2, defeating an entire merchandising concept.

And how will the same customer feel about the experience if he or she has to wait ten minutes in line to pay? This is why time matters - a great shopping experience turns into a shopping failure when the customer has to wait only 30 seconds too long to pay.

Thus, CEM is the process of managing every step of the customer experience, including the last step!

And From Experience Management to Experience Innovation

So how do we put this into practice? The wealthy have always been customers of great experiences - five star hotels, exclusive spas, first class travel, luxury shops, and as the economy continues to expand more and more people from the middle market are demanding - and getting - access to the same kinds of experiences. Consequently, more and more businesses depend on the ability to provide compelling customer experiences for upper and mid-market buyers.

This is a competitive issue, as compelling experiences are now a significant source of competitive advantage (or disadvantage!). This raises an important question, namely how can innovative experiences be created that are meaningful to the customers and actually do provide a competitive advantage?

In our view, the customer experience must be designed to fit within the framework of an entire business model. A business model is the set of critical relationships that define how a business fits into the larger market situation. Components of the business model include factors such as the brand, the approach to service, the use of technology, design of the products, and relationships with competitors and suppliers. In our ongoing research, we view innovation in business models as the critical factor that differentiates between average companies and excellent ones.¹

So any company that wants to provide an exceptional customer experience has to design experiences to fit within the larger context of the business.

Design, in this context, is not a word to be taken lightly. It refers to a rigorous process that takes into account the full complexity of the business, and a profound understanding of what exactly will constitute a compelling experience for customers.

But just where will such a profound understanding come from?

To qualify as compelling, an experience would ideally exceed expectations, and would solve needs, problems, or issues that the customer may not even have been aware of. We refer to these as unknown and unmet needs.

They cannot be discovered through traditional market research, because focus groups and surveys are only capable of exposing needs that people are already aware of, which means they are already explicit. And if they're explicit they're probably not unique, and therefore everyone knows about them and they're much less likely to provide any significant differentiation.

A profound understanding of unknown and unmet needs lies in the realm of tacit knowledge, which means that you have to understand not what the customer says, but what the customer actually experiences. How does it feel to be a customer? What works and does not work when the customer does business with a company? Does the company value the relationship, or is the customer made to feel like the dog?

¹ The recent white paper by Langdon Morris entitled Business Model Warfare lays out the basic description of the proposition. It can be downloaded (in English) at www.innovationlabs.com.

How it really feels is not the same as how management wants it to feel. Reality can only be exposed through research methods that involve exploration and observation, because what you're after is an understanding of the customer's needs and experiences that is better than the customer's own understanding - you have to know them better than they know themselves. Ethnographic research is a method that uncovers unmet needs in retail stores, computers and software, industrial equipment, manufacturing and warehousing, cars, office environments, and even toys. Ethnographers are expert at observing the behavior of people as they interact with products and services, and learning things that customers themselves are not aware of. Using these observations, they often create successful new products, services, and experiences.²

Most software companies, for example, test their products in end user laboratories to insure that the user interface responds to the way people actually work and think.

In the end, consistently delivering an exceptional and positive customer experience can be the key to long-term business success in any industry. Many of our clients are starting to think long and hard about CEM and how to design the best customer experiences. We now know that the critical factor is to understand the customer's experience even better than the customer does. This usually requires looking differently at the entire business process, for differences are always when innovations are found. Then you must use all of the tools at a company's disposal to respond to hidden needs and desires. Employees are critical to success, for it is finally the human connection between the employee and the customer that ultimately defines a success or a failure.

We suspect that in the future, those companies that innovate in customer experience should gain an advantage, perhaps an enduring one. Like all innovation, it can be difficult to accomplish; and like all innovation, there are significant rewards for figuring it out first.

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² You can find a detailed discussion of ethnographic research in Miller and Morris, 4th Generation R&D : Managing Knowledge, Technology, and Innovation. Wiley, 1999.

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