

Making Customer Experience a Reality – Five Steps from Vision to Execution



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Executive Summary

Customer experiences are true indicators of corporate health and brand strength; driving revenue growth, preventing customer attrition and increasing market share. They are the competitive differentiators and can help fuel an organization’s success. Yet, for all the evidence supporting customer centricity, companies remain largely product-centric with transaction rather than customer relationship-based business models. From customer interactions to empowering employees with the resources they need to deliver great experiences, the state of customer strategy execution remains poor.

Why does this happen? Organizations often fail to justify the expense of developing and implementing a customer experience strategy because they don’t fully understand the economics of customer relationships and the potential value associated with investing in a customer experience strategy. The most successful customer strategies are launched on a full understanding of the economics behind them.

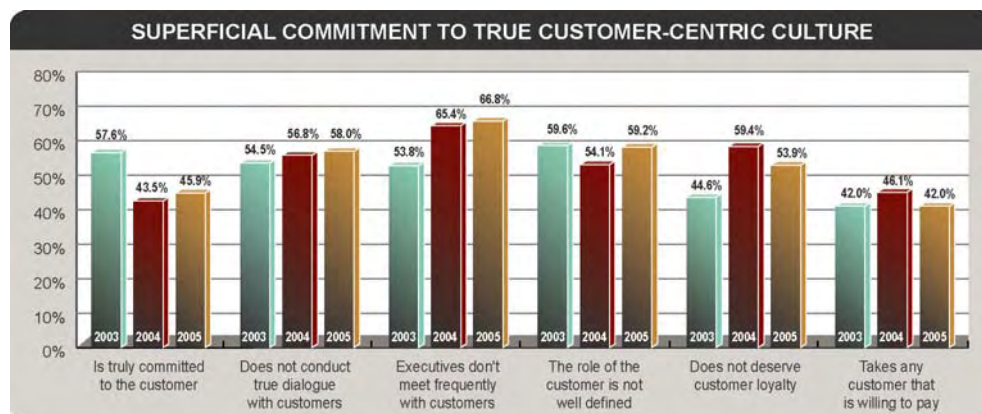
Once a customer strategy vision is justified, a clear process must be put into place and enforced along every channel of customer interaction. This execution process entails establishing benchmarks, eliminating existing negative customer issues, providing a personalized experience, customizing the value proposition, realizing the financial benefits of the customer strategy, and continually fine-tuning it.

This whitepaper distills the five steps, from vision to execution, to better align your organization with your customers.

A Strategy for Long-Term Revenue Growth

Most companies recognize that their customers are an important asset. They accept the idea that customers generate revenue, suggest ideas for improvement and provide referrals. Yet somehow organizations often miss the opportunity to maximize the value of their customers.

The following graphic from Strativity Group’s 2005 Global Customer Experience Management Study indicates that despite pronouncements of customer centricity, corporations remain consistent in their weak approach to customers. In the absence of understanding customer value, companies do not build the relationships required to maximize this value. Only 66.8% state that their company’s executives do not meet frequently with customers (up from 65.4% in 2004). 59.2% state that their relationship with the customer is not well defined (up from 54.1% in 2004).





A successful strategy requires that companies embrace, identify, measure and monitor the economics of customer relationships. From the cost of new customers, to the loss associated with a customer's complaint, every interaction with a customer is an opportunity for revenue generation or loss.

Nowhere is this more apparent than with identifying customer value. Identifying the most important measures of customer value (i.e. annual and lifetime value) will provide you with a benchmark for how much you should be willing to invest to acquire a customer. This benchmark will drive decisions for optimum investment into all customer related activities such as promotions, sales activities and marketing campaigns.

Where Good Intentions Fail

Companies admit that they do not understand the basic financial drivers behind effective customer strategies. In Strativity Group's 2005 Global Customer Experience Management Study, 90% of respondents were unaware of the cost of a complaint, the cost of a new customer, or the annual value of a customer. As a result, it was not surprising to see that over 50% of the respondents did not consider their company as being committed to customers or believe that they conduct a true dialogue with customers. In the absence of financial drivers, they simply cannot justify the investment in customer strategies. Illustrating this fact, only a minority of the executives surveyed (46.1%) believe that they actually do deserve the customer's loyalty, based on the total value provided by the company.

The failure to understand the economics of customer relationships explains the poor execution of customer strategies. In the absence of knowledge, coupled with a lack of understanding of the financial drivers behind successful profitable customer strategies, execution becomes lip service.

Principles of the Customer Experience Revisited

The customer experience consists of two primary components: eliminating dissatisfiers and creating "wow" experiences. The former is focused on minimizing customer hassles and removing obstacles from the customer's transaction. The later focuses on creating new methods to engage and delight customers and ultimately creating customer preference for a specific company, product or service. However, companies cannot create "wow" experiences without first eliminating dissatisfiers. Conversely, eliminating dissatisfiers is not sufficient for creating consumer preferences. This will only create competitive parity.

To deliver superior, differentiating experiences, organizations should follow these five steps:

1. Benchmark the Economics of Experiences
2. Eliminate the Dissatisfiers
3. Personalize the Experience
4. Customize the Offering
5. Realize and Reinvent



Step 1 – Benchmark the Economics of Experiences

As discussed previously, without clearly understanding customer value and the financial implications of customer strategies, companies will not deliver the experiences and the relationships required to maximize this value. They will often sacrifice long-term profitability for short-term revenue gains by implementing transaction-based policies such as suddenly charging customers for a product or service that was once free, eliminating warranties or lowering customer service standards. Such decisions are made without fully understanding their consequences—leading companies down a slow slide into a world of constant customer frustration and dissatisfaction. Customer attrition will increase and those customers who stay will purchase less and complain more – leading to an increase in costs. Companies will be forced to compensate with price discounts and expensive marketing campaigns. Expenses will rise and margins will fall. Brand quality, distinctiveness and purchase consideration will suffer. In the process, companies may take on unqualified customers who then become unprofitable and put a strain on the company’s customer service resources, creating a further negative impact on the company’s bottom line.

The economics of customer relationships can be divided into two main components:

1. **Economics of long-term relationships**
2. **Economics of the customer experience**

Economics of long-term relationships measures the financial impact on the long term profitability of the customer relationship. These factors will vary according to the individual company, but generally include the following:

- Customer attrition rate
- Annual customer value
- Lifetime customer value
- Portion of customer’s budget captured
- Cost of unprofitable customers

Economics of the customer experience measures the financial impact on short-term customer profitability. These factors will vary according to the individual company, business model and market conditions, but generally include the following:

- Cost of complaint
- Cost of resolution
- Cost of escalation
- Cost of lack of empowerment for first call resolution
- The real cost of customer service
- The real value of customer service

Prior to attempting to realize the potential of customer experience strategies, you should identify your specific economics of experiences and relationships factors, and create baseline measurements. Though you may adapt your estimations later, it is critical to start with an agreed-upon baseline of financial drivers. Equipped with your economics of relationships numbers, you can now make the case for execution and its required resources.



Step 2 – Eliminate the Dissatisfiers

Eliminating dissatisfiers is critical to launching a positive customer experience. You must first eliminate experience aggravators, frustrating moments and otherwise unpleasant experiences. Most companies have organizational structures, processes, policies and attitudes centered on a product centric, transaction-based business model that have ultimately created an uninviting experience for customers. These models need to change in order to get closer to the customer.

Take for example customer information residing in multiple databases. While making a call, the customer is made to wait until the call center agent collects all the relevant data from all of the different databases. For customers, the result is wasted time, a sense that they are not important to the company and frustration – leading to an increased likelihood of defection. For call center agents, the result is often wasted time, lower productivity and poor morale.

Case in point: Black & Decker

At the core of Black & Decker's customer experience success is its multi-channel customer contact center. The system unifies and manages customer service interactions across phone, email and web channels. This streamlined system enables service agents to address customers' issues quickly and effectively and creates a single point-of-capture for all data about customer questions, complaints and feedback. Contact center workloads at Black & Decker decreased significantly as more service interactions have since been driven to the web. Within ninety days of implementing the solution, the company's email volume dropped by thirty five percent.

Eliminating dissatisfying core elements of the experience will not create exciting customer engagements, though it will measurably improve customer satisfaction and decrease the likelihood of customer abandonment. The core elements of the customer experience that can have a measurable impact include:

1. Process design
2. Corporate policies
3. Infrastructure and technology
4. Employee training

By addressing these dissatisfiers, organizations should achieve the following objectives:

1. Ability to view the customer across different touch points
2. Customer-centric processes
3. Power to resolve exceptions



Process Design – Quality and Timely Information

Provide customers with access to information they need, when they need it via the channel they prefer. It is critical to create a culture of information availability within organizations backed by processes to ensure information relevance and timeliness. Include search optimizations, database updates and adaptations of information to live customer events. Food companies may consider having holiday recipes posted on their websites during the period leading up to the holiday season. Businesses should proactively notify customers of highly important and time sensitive information such as flight delays, service outages and product recalls. Providing such information in a proactive fashion will assuage customer anger, prevent the inevitable bombardment of customer complaints and may lead to an increase in customer satisfaction over the long term.

Case in point: Ben & Jerry's

One company ensuring information relevance and timeliness is Ben & Jerry's. As a large number of customer questions pertained to common issues, Ben & Jerry's implemented a self-service knowledge base for its website. The company identified roughly two hundred answers that customers could easily search through by using keywords or browsing categories. With these answers available online, email volume quickly dropped by ninety percent. Nearly one hundred percent of people who visit Ben & Jerry's site are now able to find their answers without using the company's more expensive Ask-a-Question feature.

Corporate Policies – Experience Consistency

Among the most difficult parts of customer experience management is ensuring that the quality of experiences across all interaction channels is the same. Customers expect to be known regardless of the channel – in the retail store; on the phone; through email and chat; or via web-self service. Chat sessions and email interactions should be included in customer profiles; basic recognition should occur at the retail level, on the phone as well as on the web, and the latest promotions should be available in the call center, on the web and in the retail store. A great experience delivered via one channel will raise the level of expectations across all channels. Failure to match experiences of equal caliber with all interaction channels will erode the positive effect of the initial experience and lead to customer frustration.

Case in point: Nikon

Nikon needed to improve the customer experience across multiple channels. The system, deployed at Nikon in a dozen languages, enables Nikon contact center staff to view customers' complete service histories across all contact points including telephone, web site, email and fax – to facilitate effective, personalized support. It allows incidents to be quickly routed and/or escalated to the right staff member across various locations. The system also provides a knowledge base that ensures both Nikon staff and its customers can quickly find approved, up-to-date, and relevant answers to common questions. The deployment of RightNow has led to a fifty percent reduction in call response times and seventy percent reduction in email response times. While witnessing a steep rise in unit sales, Nikon was nonetheless able to reduce departmental headcount and still improve customer satisfaction scores.



Infrastructure and Technology – Delivering Your Way

Customers have certain basic expectations regarding the manner in which they are serviced. They expect to conduct interactions in a variety of ways and require a number of tools to ensure that they are able to do so efficiently and effectively. Delivering experiences that meet your customers' basic expectations will require offering your customers a number of different channels through which they can interact with your organization. This also necessitates offering tools that will provide them with the information they need to conduct informed transactions.

These service channels include:

- Chat
- Web submission / email
- Web collaboration
- Search
- Locator

Case in point: TD Banknorth

TD Banknorth augmented the mapping and direction capabilities of the existing ATM/branch locator tool on its website. The system also enabled TD Banknorth service staff to quickly and accurately respond to customer emails. The deployment subsequently improved email response times to the point where over ninety seven percent of emails are now answered within twenty four hours, with over fifty percent being answered within six hours. The online knowledge base has also reduced email volume to the bank's contact center by approximately fifty five percent. TD Banknorth is one of a growing number of companies complimenting its core services with additional tools and information that improves the efficiency of its customer service staff while enabling customers to find information on their own.

Employee Training – The Backbone of Your Experience

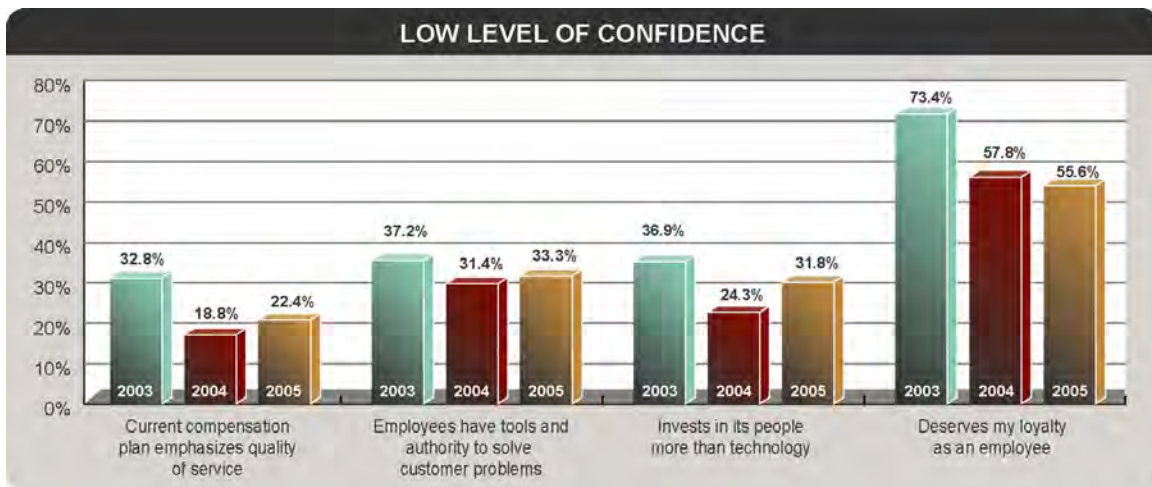
Employees play a major role in creating differentiated experiences that delight customers. Upon deciding to implement a customer-centric strategy, your organization should embark on an education and training program that emphasizes the goals and metrics of the customer strategy. By empowering employees with the right financial data, employees will be able to make sound decisions and avoid following irrelevant corporate policies. Only when understanding those financial drivers, will employees feel comfortable making decisions.

Great customer experiences can be highly profitable. Considering the following:

- A 5% reduction in customer defections leads to up to 85% boost in profit.
Harvard Business Review 9/90
- 70% of customers switch to the competition due to service quality issues.
Forum Corporation
- Loyal customers are more profitable due to referrals and repeat business.
Harvard Business Review 9/90
- 95% of unhappy customers will buy again if their problem will be handled satisfactorily and quickly.
eSatisfy



A common oversight is to focus on customer strategies without fully involving and empowering their employees. Despite all the training programs, commercial data and proclamations of customer centricity, many employees fail to reach their full level of commitment and productivity. A successful customer experience strategy calls for empowering employees to handle exceptions and uncommon situations. Employees will be able to handle such things if they understand the financial consequences (e.g. a major client who purchases products in excess of \$500,000 a year as opposed to a one time customer purchasing products worth \$250). They will also be able to justify their decisions when necessary, based on the financial information they possess.



This graphic from Strativity Group’s 2005 Global Customer Experience Management Study illustrates that despite the employee’s contribution to the success of the customer strategy, the employee experience remains weak. Only 55% of the respondents claimed that the company deserves their loyalty as an employee. Only 33% of the respondents affirmed that they have the tools and authority to actually serve their customers indicating that organizations are enforcing stricter procedures in lieu of empowering employees to serve customers. The lack of resources provided by companies to enable employees to deliver even adequate customer experiences is a result of the lack of understanding of the economics of customer relationships. These shocking numbers indicate that although many organizations understand customer experience management, they fail to exercise a tangible customer strategy.

Step 3 – Personalize the Experience

People want to express themselves and their uniqueness through the products that they use and it is critical to encourage customers to participate in the design and creation of their products at a very early stage. This elevates the intimacy between products and customers to the highest possible level of customer experience.



Companies which allow their customers to design and create the products they use, do not follow conventional wisdom and impose their terms and conditions on customers, and force them to take or leave their products. They offer collaborative models where customers can determine what they want and how they would like it delivered. Each side contributes distinct insight and skill, resulting in an individualized and personalized customer experience.

Case in point: Nike

A service from Nike illustrates the extent to which it is allowing customers to personalize their shoes and collaborate in the shoe design and creation process. The web-based service, called “NIKEiD”, allows customers to design the shoes to their own specifications. Customers can select the colors and look that they feel expresses their own individuality. NIKEiD shoes are as unique and creative as the customer chooses, reflecting individual taste, preferences, values and personality.

Step 4 – Customize the Marketing Offering

Companies routinely communicate value to customers in ways that benefit the organization and its stakeholders through mass marketing efforts. However, companies often fail to reach their intended audience as their efforts center on accommodating as much of the market as possible. This leads customers to delete emails, ignore street advertising, discard mail, change the television channel or turn off the radio station. To halt declining customer receptivity, companies are turning to a practical attempt at product differentiation – focused and personalized offerings.

Delivering personalized and focused offerings to the right customer is predicated on segmenting customers. Customer segmentation allows organizations to align a specific group’s needs with the appropriate product or service. The failure to segment customers will inhibit the likelihood of creating a strong foundation for building healthy and profitable customer relationships.

There is no such thing as the average customer. Organizations may segment based on specific customer behavior such as level of spend, frequency of purchase or loyalty. They may choose to base their segmentation on customer attitudes and the reasons why they purchased a specific product or service. In order to generate revenue through cross sell and up-sell activities, the marketing needs of the organization must be aligned with the requisite segmentation information.

Companies can maximize revenue by actively customizing marketing offerings to customers. Focused, targeted offerings save vast amounts of time and effort. They deliver a much higher impact promotion and return as customers respond to offerings that are relevant and personalized. Purchase consideration increases and brand relevance is strengthened.

Case in point: The Right Start

The Right Start, a national specialty retailer of juvenile products, was challenged with driving traffic to brick-and-mortar stores through localized campaigns and site-targeted promotions. A heavy focus for The Right Start is segmenting promotions based on the age of a customer’s child. The company now uses RightNow to offer products for newborns to women who have just given birth, and then offer them products for baby-proofing their homes when their child is starting to crawl. When the child is too old for Right Start’s products the name is removed from the database – unless there’s another baby in the picture.



Step 5 – Realize and Reinvent

Following the execution of steps 1 – 4, the next step is to monitor and realize the financial rewards associated with being a customer-centric organization. Periodically, you need to reexamine the economics of relationships to ensure that your organization enjoys the benefits and ensure that execution has gone according to plan. Create a customer-centric scorecard and share it with the rest of the organization. If implemented correctly, the results of the customer experiences which you provide should meet and exceed the financial targets set prior to the execution process. Do not leave the strategy and the manner in which it is being executed unexamined. Do not assume others are seeing the results. Quantify and report the results so that everyone can see the benefits of a customer experience strategy.

Experiences by nature are not static. They are dynamic. The reason for their dynamic nature is two fold: customers and competition. What will delight customers today, will be taken for granted tomorrow. Do not let your experiences be taken for granted. Continue to innovate in order to maintain your competitive differentiation and ensure your customers' preference for your products and services. Always keep in mind that your competition is watching. When successful, they are most likely to follow suit. You can not afford to wait and let them catch up. While they are catching up, you should be reinventing your strategy and creating the next level of customer experiences.

Establish regular sessions to examine the experience in the context of competitors and customers and do not let your experience get stale. Unlike wine, which gets better with age, your experiences do not. It is up to you to constantly be elevating the customer experience.

Action Checklist for Executing a Customer-Centric Strategy

Executing a successful customer-centric strategy requires a detailed checklist that includes the following steps:

- Identify your economics of relationships
- Benchmark your economics of relationships
- Determine the factors that you will improve
- Eliminate dissatisfiers
- Review processes
 - Adapt policies
 - Provide a complete picture of the customer to employees
 - Provide employees with the power to solve problems
 - Examine infrastructure and technology tools
 - Retool employees with the mindset and ability to make a difference
 - Ensure the delivery of timely and quality information to customers and employees across all touch points / channels
 - Ensure experience consistency
- Personalize the experience
 - Encourage customer collaboration
 - Engage customers in the process
- Customize the offering
- Realize and reinvent
 - Measure your success
 - Create a scorecard of results
 - Distribute results across the organization
 - Establish sessions to evaluate and reinvent the experience



Summing Up

Great customer experiences change the competitive landscape by separating your company from the competition. While industry wisdom may have companies focusing on increasing transaction efficiency, by executing a customer-centric strategy, you will tap into the emotions and aspirations of your customers and create a personal and long-standing connection with them through powerful experiences.

The Numbers Will Set You Free

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. As such, they succumb to making small, incremental changes rather than ones that truly enhance the customer relationship and that differentiates themselves from competitive norms. Customers want dramatic and passionate experiences and will quickly see through the veneer of glitz and false promises.

The failure to understand the economics of experiences and customer relationships is a clear indication that companies continue to run a product-centric, and not a customer-centric business model. Transaction-based analysis supersedes relationship-based analysis in the eyes of executives. Without knowing their financial drivers, companies will be unable to justify the transformation that is necessary to become a customer-centric organization and the business model they need to build to do so.

Commit to Results, not Just Intangibles

Companies routinely fall short of understanding the impact of their strategies by perceiving such strategies as an act of altruism. By failing to realize the long-term financial benefits that accompany customer strategies, companies will not set appropriate business objectives that can be measured and tracked over time. They will not be able to take action to change failed strategies or policies since they will not be measuring what needs to be measured. Organizations should identify a number of set business objectives rather than rely on comments from employees and customers testifying to the success of the strategy.

Experiences as a Strategy for Revenue and Profit Growth

Delivering great customer experiences is about maximizing corporate profitability. Through customer experiences that excite and delight, relationships with your customers will be strengthened and purchase frequency will increase. The loyalty your customers display will manifest itself in a number of ways. They will become your evangelists, 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 Strativity Group

Strativity Group, Inc. is a global research and consulting firm advising organizations on creating lasting, profitable relationships with their customers and employees through the transformation of their strategies and execution to revolve around the customer experience.

Strativity Group, Inc. works with both Global 2000 companies as well as emerging businesses around the world. Our clients include Nokia, Computer Associates, SAP, American Management Association, Seagate Technology, Honeywell, Siemens, Dimension Data, FedEx, CATIC, Circle K, University of Pennsylvania, The Fund, Capital One, Jacada, Wyeth, Sage, Herbalife, Akibia, National, Lockheed Martin and Crown Plaza Hotels & Resorts and Nordea.

About RightNow Technologies

RightNow (NASDAQ: RNOW) is leading the industry beyond CRM to high-impact Customer Experience Management solutions. More than 1,700 companies around the world turn to RightNow to drive a superior customer experience across the frontlines of their business. As a win-on-service strategy becomes a business imperative, Customer Experience Management solutions have become essential for business success. Founded in 1997, RightNow is headquartered in Bozeman, Montana, with additional offices in North America, Europe and Asia. For further information, please visit www.rightnow.com.

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