Rewired: Crafting a Compelling Customer Experience
Rewiring the Customer Experience Digitally

In 2008, Dominos Pizza was staring at a difficult future. The company faced plummeting sales, falling stock prices and a lacklustre brand image. Customer dissatisfaction was running high with customers complaining about the poor quality of Domino’s Pizzas. By November 2008, the company’s stock price was at a record low of $2.83. That is when Dominos decided to chart a new path for itself. From that position, the company has scripted a historic turnaround making its entire customer experience digital. The company focused on making easy-to-order and easy-to-track the foundations of its overall customer experience. And they did this across the key channels of PC/mobile/social. Dominos launched a social media campaign — “What is wrong with the Dominos Pizza?” — where it sought feedback from customers to help improve its pizzas. Customers appreciated the company’s sincerity in reaching out to them and as a result, the strategy proved to be highly successful. Professor Renee Gosline of the MIT Sloan School of Management says, “People felt that Dominos was honest and really trying to hear them, which built trust.” Dominos streamlined the ordering process by introducing “Pizza Tracker” — an online tracking mechanism to let customers view the progress of their pizza from order to delivery. They also let customers build online profiles, with their location and other preferences, thereby reducing order placement time to as low as 30 seconds. The results have been remarkable, to say the least. From $2.83 a share in November 2008, Dominos has seen its stock price rise to over $70 a share in June 2014. Domino’s mobile sales accounted for 22% of online sales in 2012, which was larger than the entire company’s sales in 1999.

Such transformative impacts do not come by accident. They happen as a result of carefully coordinated and orchestrated use of digital technologies and platforms such as social media and mobile. However, while the opportunities for driving a great customer experience using digital technologies are significant, so are the challenges. First, organizations need to manage an ever-increasing tide of customer expectations. As Rob Tarkoff, CEO of Lithium Technologies, a provider of social customer community software, says, “We are living in an age of extreme customer expectations.” Second, the complexities of integrating new digital channels with existing operations can be daunting. A recent survey indicates that over 38% of marketers feel the technology to build an integrated digital marketing strategy is too complicated. Over 58% of marketers still use basic methodologies such as last-click attribution model rather than more sophisticated cross-channel attribution models that are more relevant in the digital age. Third, digitally transforming the customer experience requires an overhaul of organizational culture and traditional ways of managing customer relationships. 56% of marketers in a survey described their organizations as customer-centric, but only 12% of their customers agreed with their assessment. This shows that the promise of customer centricity still has a long way to go. Finally, the pace of decision-making has hastened and there is a new sense of agility that companies from the Internet sector are bringing. In short, what has worked in the past is not guaranteed to work in the future.

The Age of Extreme Customer Expectations

Consumers are going online to request help on a product or service and want responses fast

<table>
<thead>
<tr>
<th>Expect a same-day response to their online request</th>
<th>Expect a response within an hour or less</th>
</tr>
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<tbody>
<tr>
<td>66%</td>
<td>43%</td>
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Consumers are using online channels to complain

<table>
<thead>
<tr>
<th>Age group</th>
<th>Percentage of online complaints</th>
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<tbody>
<tr>
<td>35-44 years</td>
<td>46%</td>
</tr>
<tr>
<td>45+ years</td>
<td>35%</td>
</tr>
</tbody>
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But younger Americans seem to complain at higher rates than older Americans

Source: Lithium Technologies, “Lithium Reveals Extreme Customer Expectations Survey”, May 2014
Less than half of organizations have a company-wide program for customer experience, and only 30% have a dedicated budget to fund the transformation.

So, how can organizations master the new rules that will help them drive lasting customer engagement in a digital world? Our research revealed that four key actions play a defining role in delivering compelling customer experiences — and differentiate digital leaders from their peers (see Figure 1). We examine each of these actions in the sections that follow.

Look Outside to Transform Inside

Digital leaders look at technology as a means to an end, and not an end in itself. The end-state is defined by the kind of experience that the customer desires at each touch point. Digital leaders design experiences based on a forensic understanding of customer expectations, and actively seek to understand and alleviate customer pain points. They ensure that their knowledge of customer interactions extends across all touch points. Barclay's Bank for instance, has set up a website dedicated to gathering the voice of the customer. The website called “Your Bank” encourages customers to publicly share their views, concerns and complaints regarding the bank's products and services. In addition, the bank puts future changes to its offerings to vote on the website, in order to gauge customer reactions prior to rollout. Organizations are beginning to realize the importance of customer experience. Research indicates that over 86% of executives consider customer experience to be a top strategic priority. However, less than half have a company-wide program for customer experience, and only 30% have a dedicated budget to fund the transformation.

Digital leaders look at technology as a means to an end, and not an end in itself.
Focus on Smart Investments in Digital Channels to Enhance Reach and Drive Engagement

Digital leaders approach digital investments differently. Rather than the size of the investment, they focus on its impact. Sephora, the global cosmetics major, has shown how smart investments in digital channels can deliver extraordinary results. Sephora has closely tied its social media strategy to the way that customers use various social media platforms. Research suggests that Pinterest is better than Facebook in inspiring purchases, and that its users tend to spend more on every purchase than users of other social media platforms. Sephora has focused its customer engagement efforts primarily on Pinterest and it was among the first retailers to integrate the “Pin It” button on its website. Sephora curates lists of popular products on Pinterest and launched a Pinterest-centric email marketing campaign, where users can pin products directly from emails. Sephora’s social media strategy has proved to be highly successful. The company saw a 60% increase in traffic from Pinterest following its email campaign. Its average Pinterest follower spends 15 times more money on Sephora.com than its average Facebook fan.

Mercedes-Benz

The automotive industry offers an interesting example of an area where multiple technology trends are coming to fruition at around the same time. Intelligent highways embedded with sensors, autonomous vehicles, and digital showrooms are all converging to create new challenges for large automotive players in managing customer experience. Mercedes-Benz responded to these challenges by launching ‘Mercedes-Benz 2020 – Best Customer Experience’ aiming to provide customers with a consistent premium brand experience across all touchpoints – physical as well as digital. As Ola Kallenius, Member of the Divisional Board Responsible for Marketing & Sales explains, “Our goal is twofold — to create special moments for the customer at every step in the customer journey, and to connect the dots across all customer touch points.” One of the key initiatives that Mercedes-Benz took to drive such a seamless experience is the service brand called ‘Mercedes Me’. Ola explains, “Through “Mercedes me”, we intend to comprehensively address our customers’ product purchasing, financing, and servicing needs both in the digital and physical worlds. All of the “Mercedes me” services are available via a unified digital platform.” One of the underlying themes to Mercedes-Benz’s customer experience initiatives is on the role of digital. Ola says, “In our business, digital can complement and enhance the physical experience, but not replace it.” For delivering such a digital-physical experience, Mercedes-Benz adapted its internal organization. Ola expands, “We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey. So, we took departments dealing with different aspects of the customer journey, which were spread across the company, and brought them under a single leadership. The customer experience function is tasked with creating the blueprint for a consistent global Mercedes-Benz brand experience.”


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“Customers increasingly see their interactions with organizations as a continuum of physical and digital experiences.”
Use Data to Create Engaging Customer Experiences

A compelling customer experience is often underpinned by a good grasp of data and customer insights. Digital leaders such as Amazon and Macy’s are applying analytics to substantially enhance their understanding of customer behavior, preferences and motivations. Macy’s analyzes several million Terabytes of data every day including store transaction data and social media feeds. This is used to personalize the customer experience in various ways, including for instance, by offering customized promotions to customers at checkout. The retailer’s analytics capabilities now enable it to create 500,000 unique versions of a single direct mail catalog. As a result of its focus on advanced analytics, Macy’s has been able to boost store sales by 10%.

Similarly, Amazon’s ability to harness data allows it to help customers find products that are most relevant to them. The online retailing giant’s analytics-driven recommendations engine accounts for 29% of its overall sales.

Several banks have also reaped the rewards of leveraging customer insights to enhance customer experience. For instance, U.S. Bank, the fifth largest commercial bank in the US, integrates data from online and offline channels in order to create a unified view of the customer. This data is then used to target prospects with personalized offers. As a result, the bank has been able to improve its lead conversion rates by 100%. The bank even tailors the content on its website, based on data analytics. For instance, products and services featured on the website vary based on the profile of the customer visiting the website.

Organizations across industries are faced with a deluge of structured and unstructured data. However, the ability to translate this data to meaningful insights and deliver superior customer experiences sets digital leaders apart.

Integrate Physical with Digital to Create Unending Experiences

Customers increasingly see their interactions with organizations as a continuum — a continuum of physical and digital experiences. They don’t necessarily understand and appreciate internal organizational barriers between physical and digital. Organizations will need to understand that this is not about old vs. new, or physical on one side and digital on the other. It is about creatively integrating their digital and physical experiences so they blend in a seamless customer experience. Digital technologies offer powerful ways of amplifying the impact of a physical experience.

“U.S. Bank improved its lead conversion rates by 100% using Big Data analytics.”

Zappos

Amazon-owned online retailer Zappos has a unique take on how customer experience needs to be addressed in the digital age. The company encourages customers to dial into its call center and engages them in extensive conversations. As Darrin Shamo, the Director of Direct and Online Marketing at Zappos explains, “We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call.” The company also invests extensively in people to develop an organizational culture around customer service. As Darrin explains, “All employees go through a four-week call center training course before they start in their official position, and each holiday season the entire work force, even the CEO, goes back to the phones to handle the volume.” Zappos combines this mindset with a new approach to management called Holacracy. Darrin explains this model, “We are rolling out a new management style at Zappos termed “Holacracy”. It is a unique management style that distributes the authority of leadership to influence various decisions.” Such an approach to customer experience has helped Zappos immensely. The company has consistently been at the top of customer service rankings. Over 75% of its business now comes from repeat customers. Going forward, Darrin believes marketing needs to evolve. He says, “The future of marketing lies in the development of systems to better understand the causal effects of customer happiness and the predictive value of customers.”

US financial services major Capital One is experimenting with a café format for its bank branches, designed primarily to drive services offered by their online bank — Capital One 360. Across the US, the bank has opened nine café styled branches that provide high levels of customer intimacy along with complimentary services\(^2\). The branches also provide access to financial and digital tools. Bankers within the café give personalized advice on saving and investing strategies while also providing detailed information on Capital One 360 products. As such, the café format allows Capital One to combine the personal touch of the physical branch with the convenience of online banking – ultimately providing customers with the best of both worlds.

Automobile giant Audi’s showroom in London is another example of digital blending with physical to create a great customer experience (see Figure 2). The new showroom — called “Audi City” — houses just one car, the company’s most exclusive model. In addition, it has an array of large screens where Audi’s complete range of models can be viewed, customized, repainted and accessorized. In its first ten months of operation, Audi’s digital showroom saw a 70% increase in car sales compared to prior retail format\(^2\), and a higher average sales price than its average UK dealership\(^4\).

“Audi’s Digital Car Showroom reported a 70% increase in new car sales and higher average sales price than traditional dealers.”

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**Figure 2: Audi’s Digital Showroom**

Source: Company website
How to Create a Compelling Customer Experience?  
The View from Industry Leaders

“It is important to benchmark yourself against a broader range of consumer services and not just against other companies like yourself.”

- Tim O’Reilly

“We created a customer experience function with a project and organizational leadership model that is based entirely around the customer journey.”

- Ola Källenius, Mercedes-Benz

“Customers expect the experience to be easy, personalized, shareable and seamless.”

- Rob Turkoff, Lithium Technologies

“Customers are increasingly expecting a simpler, leaner experience that is adapted to mobile.”

- Nathalie Gaveau, Shopcade

“The key is to strip out complexity from our customers’ lives.”

- Andy Palmer, Nissan

“We drew inspiration for our customer experience initiatives from one of the head concierges at the Mandarin Oriental Hotel who told us, “Our motto is simple. The answer is yes, but what’s the question?”

- Ola Källenius, Mercedes-Benz

“The integration between the digital and the physical world has to be and will be a seamless one.”

- Ola Källenius, Mercedes-Benz

Build-A-Bear Workshop Inc, the US-based do-it-yourself retailer of stuffed animals, is another great example of the power of such an integrated physical-digital approach. The company undertook a two-year modernization program aimed at providing a more immersive in-store experience to its target customers — young children accustomed to using smartphones and tablets. As part of the program, Build-A-Bear remodeled some of its stores using touch, object and gesture recognition technology. Digital storefront installations enabled with Microsoft’s Kinect technology allow customers to use gestures to play games and interact with Build-A-Bear’s latest product offerings as they enter the store. Within the store, a series of kiosks with interactive touch screens digitally enhance each step in the process of making the toys. For instance, children can choose personality traits for their toys, which are represented by a set of emoticons on the touch screens. They can also choose from an assortment of digital music and sounds to add a “voice” to their toys. Such tactile experiences were introduced to help children form deeper connections with their chosen toys\(^2\) (see Figure 3). The remodeled stores met with strong positive reception from customers, with sales increasing by an average of 25%, compared with an 8% average increase in company-wide store sales. Driven by the success of the program, the company plans to extend the same experience to many more stores\(^3\).

Digital leaders such as Capital One, Audi and Build-A-Bear have successfully understood the amplifying effect that they can achieve by meshing physical with digital experiences in order to help differentiate themselves.

“Organizations can lose as much as 20% of their annual revenues due to poor customer experience.”
Can traditional organizations create a rewired digital customer experience?

Many Born-Digital companies have set a high entry bar for compelling customer experiences. Companies such as Zappos go to great lengths to create a compelling customer experience. Darrin Shamo, Director of direct and online marketing at Zappos explains, "We do not follow any productivity metrics that are designed to reduce the volume of calls coming into our call center or the time spent on the call." Zappos has also shown that they are willing to work around traditional organizational governance models. For instance, the company replaced its traditional management style with ‘Holacracy’ - a model that distributes authority amongst various circles of employees. Such a model empowers employees enabling them to assign top priority to customer experience. Some traditional organizations have been quick to adapt. Mercedes-Benz for instance, launched an organizational restructuring initiative — aptly titled “Customer Dedication” — to focus its activities more sharply around customer needs. Ola Kallenius, Member of the Divisional Board at Mercedes-Benz Cars, responsible for Marketing & Sales explains, “The objective of the initiative was to build a leaner and more flexible organization, so that each division within the Group could focus its activities more sharply around customer needs”. For most other organizations however, it is time to play catch-up rapidly. Not doing so will expose organizations to the perils of a poor customer experience, which can indeed be significant.

Research indicates that organizations can lose as much as 20% of their revenue due to poor customer experience. So, why don’t many companies try creating great customer experiences? One obvious reason - it is very challenging to do so. Organizational constraints are usually the biggest reason. There is very little coordination between the front-end of the organization and the back-end. Customer experience, while being everybody’s priority is no one’s job. Delivering a compelling customer experience requires the careful orchestration of people, data, IT, processes and customer behavior. It requires an exhaustive understanding of customer behavior, smart investments in digital channels, the ability to harness customer data, and finally, the ability to creatively mesh physical and digital experiences.

"Many Born-Digital companies have set a high entry bar for compelling customer experiences."

Nissan

Our latest Cars Online study indicates that as many as 44% of people surveyed were likely to purchase a vehicle online. It is behaviors like these that are shaping the industry’s response to the digital customer experience. As Andy Palmer, Chief Planning Officer of Nissan says, “we are on the cusp of one of the most radical changes in the way that you buy cars in 125 years.” Customer trips to dealers for a car purchase are down from 7 in the past to as little as 1.5. As Andy explains, “In previous times, the customer journey began the first time a customer walked into a dealer. Now, it is 6 to 12 months before purchase intention.” Andy also sees Big Data playing a big role going forward. As he states, “The biggest commercial opportunity we have around Big Data right now is in marketing.” However, Andy points out to the potential privacy risk that surrounds the use of Big Data in marketing when he says, “Privacy needs to be as defined by the customer, not the company.” In order to offer superior customer experience, Andy believes CMOs have to adapt. He explains, “CMOs need to have a grasp of mathematics, statistics, data technology as well as digital technology.”

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