



Customer Experience - what's it all about?

The Capgemini Consulting guide



“Customer Experience” is a concept that many people talk about but far fewer understand or know how to address. This guide explains what customer experience is, why it is critical to your business (particularly in the current economic climate) and what can be done to improve it – a process that Capgemini Consulting calls Customer Experience Transformation. Finally, we look at the positive impact of good customer experience.

What is Customer Experience?

How Customer Experience is created

Customer Experience is the embodiment of a brand, and of each and every interaction between an organisation and a customer (actual or potential). It is a product of the organisation's physical performance and the sensations and emotions it creates. Customer Experience encompasses every aspect of a company's offering – the quality of the people the customer interacts with, as well as advertising, packaging, product and service features. Ease of use, accessibility, reliability and quality all lead the customer to build up a picture of what the brand represents, and a set of expectations about that brand.

Customer Experience is usually considered in relation to an individual consumer engaged with a company in the private sector. However, it is equally important to manage Customer Experience in a business-to-business (B2B) context, and also within the public sector.

What Customer Experience is not – some related concepts

Importantly, customer experience is not the same as customer satisfaction. Customer satisfaction is the culmination of a series of Customer Experiences: the net result of the good ones minus the bad ones. To achieve satisfaction, a company must

understand and improve its component experiences. It must become truly customer-centric, so that each and everything that is delivered is done so with the customer in mind.

Customer Experience also needs to be contrasted with Customer Relationship Management. CRM is all about the technology; Customer Experience is all about the interactions. CRM helps customer-facing staff know “what” to do in terms of managing interactions with customers. Customer Experience covers “how” to do things right for the customer.

A CRM system captures valuable information on a customer, such as order preferences, recent purchases, product returns or service requests. This information makes it possible to identify the most profitable customers and ensure that marketing teams are able to make the right offer to the right customer at the right time based on customer transactions and direct interactions. Customer Experience goes deeper than this – capturing “customers’ subjective thoughts about a particular company”, as Meyer and Schwager¹ put it. The resultant insight into what a customer thinks about a company is a much broader concept than what a company knows about a customer (as stored in the CRM system).

Why Customer Experience is critical to your business

Differentiating your company

In today's market place, consumers have all manner of purchaser information at their fingertips. With the internet, research has become easy, pricing transparent and the choice of providers extensive, making it hard to find a true differentiator that doesn't have a negative impact on bottom-line profits. Hence, more and more organisations are looking to differentiate themselves through Customer Experience.

Evoking the right emotional response

Despite all of the factual information available about a product or service, much research² indicates that people sometimes make purchases based on emotion. For example, you may rationalise a purchase to your friends by explaining that the top-end sports car was the best value in the market – whereas, in your heart, you have an emotional attachment to the brand. Customer Experience is a determinant of this attachment.

Satisfying disillusioned, sophisticated and demanding customers

As a BT white paper puts it, “Customer Experience is becoming the new imperative because of the increasing disillusionment, sophistication and demands of customers”³. Interactive Voice Response (IVR) systems (phone technology that allows a computer to detect voice and keypad inputs) provide a good example of a touch point that can disillusion the customer. We've all been there – swearing at the telephone, frustrated at being directed to yet another automated message, rather than speaking to a person.

Sophistication of technology and processes has also made consumers more demanding; bank customers used to be able to draw money out only between 10:00 – 15:00, but now they become impatient if an ATM takes longer than 15 seconds to dispense cash, day or night.

Weathering the downturn

With new customers harder to attract in an economic downturn, businesses need to build the loyalty of their most valuable customers. This is not a straightforward task when businesses are focusing on cost control. However, without maintaining Customer Experience focus, a business is exposed to the risk of falling behind their competitors and therefore worsening the negative impact of the economic downturn.

It is not surprising, then, that after five years of discussion, Customer Experience is now being given a much higher priority. In a Forrester survey of 90 customer experience decision-makers from North American firms of annual revenues of over \$500m, 89% said that customer experience would be either very important or critical to their 2009 efforts, compared with 64% in 2008 and 37% in 2007 of similar surveys. The two major obstacles identified by these businesses are the lack of co-operation across organisations and limited budgets⁴.

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How to achieve Customer Experience Transformation

The need for improvement

While the focus on Customer Experience appears to be strengthening, 35% of respondents in Forrester's survey acknowledged that their organisations have an undisciplined approach to Customer Experience, highlighting a significant difference between the perceived importance and the effort undertaken. The approach is likely to depend on senior leadership. Meyer and Schwager observe that "Leaders who rose through customer-facing functions, such as Cisco Systems' CEO John Chambers, are more likely to act with reference to Customer Experience. In contrast, executives who rose through finance, engineering, or manufacturing often regard managing Customer Experience as the responsibility of sales, marketing or customer service."

There is often a marked difference between the level of experience that an organisation believes it delivers and what the customer perceives. In Meyer and Schwager's recent survey of 362 companies, 80% of companies believed that they provided a superior experience, but only 8% of their customers agreed.

Achieving consistency

A major reason for this mismatch is that Customer Experience is shaped by the employees and the decisions that they make. What this leads to is an inconsistent, disjointed brand

perception on the part of the regular customer, as different individuals deliver their personal version of a good experience.

These results underline the importance of designing your experience carefully, and then providing employees with a framework of guidelines, standards and principles to ensure they provide that experience. The resultant consistency will build customers' trust in your organisation.

Appropriate measures of success

Many organisations use the Net Promoter Score – found by asking customers if they would recommend the brand – as the ultimate measure of customer loyalty. There are two flaws in this approach. Firstly, if your market place doesn't have high standards, customers may recommend the brand because it is best of a bad bunch, or because all competitors deliver the same poor experience. Secondly, if the Net Promoter Score goes down, there is no information about what is required to raise it again.

We believe that customer trust is a more powerful measure, though not the only one. As well as being measured, trust should be actively developed by ensuring that Customer Experience is addressed in a consistent way throughout the entire organisation as advocated above.



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Case Study

Customer Experience is not about technology

The case study of Dabbawala⁵ provides compelling evidence that the optimum Customer Experience can be achieved without the aid of any automation, system or process mapping. The word “Dabbawala” translates to “lunchbox-man” (Dabba-Wala) and it stems from a 125 year old trade system in Mumbai, India. A network of 5,000 rural workers deliver 200,000 home made lunches to suburban homes and offices in the centre of Mumbai, all in the space of 3 hours.

In 1998, Forbes Global magazine conducted analysis and discovered that Dabbawala made approximately one error for every 6m deliveries – an astonishing result, achieved without any reliance on technology or any form of CRM system. While most of today’s business education centres around analytic models, technology and efficient business practices, the Dabbawalas focus more on “human and social ingenuity” – understanding the customers’ need and delivering a great Customer Experience⁶.



The business impact of good Customer Experience

Impact on loyalty

It seems logical that providing a customer with a good experience will increase the likelihood of their buying from us again, and research suggests this is indeed the case. In a 2009 research paper⁷, Forrester used data from 4,700 consumer surveys to examine the correlation between the Customer Experiences delivered by more than 100 US firms and customer loyalty. Results across all 12 industries examined showed that good Customer Experience correlates to consumers' willingness to repurchase, reluctance to switch, and likelihood to recommend firms. Interestingly, Forrester also found a strengthened correlation between Customer Experience and loyalty over the past year. In a recession, when winning new customers is harder, these findings clearly demonstrate the value of focusing on customer needs, both in the B2C and B2B environments.

The design of Customer Experience is also crucial. Amazon has never encouraged telephone contact – a decision that has kept its costs down – and yet its Customer Experience was deemed exemplary.

Impact on cost

Improving Customer Experience does not have to be expensive. Low-cost airlines are having much success, not by offering complimentary gourmet coffee or first class seats, but by delivering an expected experience at the right price. Simple changes to the customer value chain in the right place at the right time can provide an experience that customers talk about and, more importantly, return to again and again.

Attention to Customer Experience may well generate cost reductions. Developing the Customer Experience strategy can help businesses to understand what is valued by their customers; that process also identifies opportunities for eliminating waste – that is, costs which don't contribute to customer repurchase. For example, the practice of putting chocolates on hotel pillows could cost an average hotel £50,000 per annum. If investigation shows that the chocolates do not affect the guests' decision to return to the hotel, then this expense could be eliminated.



Using true insight to define the right experience at 'moments of truth' can make the difference between success and failure.

Conclusion

Understanding Customer Experience ensures you invest in the right areas and lets you deliver a memorable, positive experience while keeping control of your costs.

Capgemini Consulting believes that you need to be clear which customers are important to you, who they are and what they need and value. So how far has *your* organisation got in understanding these key questions? Using true insight to define the right experience at “moments of truth” can make the difference between success and failure.

Customer Experience is a journey, but it needs to start with a sufficient business will and a significant intervention by you. Capgemini has successfully worked with clients to help create that initial intervention and provide momentum that will carry you forward towards your goals.

If you want to kick-start your company’s Customer Experience journey, or re-ignite an existing initiative that is flagging, then please get in touch. Our approach to Customer Experience Transformation delivers tools that help you put your customer at the heart of everything you do.

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