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Seven Power Lessons for Customer Experience Leaders

Introduction

Customer experience—the sum total of all the interactions a customer has with your brand during their customer lifecycle—has become the critical differentiator in today’s hypercompetitive, hyperconnected global marketplace. Differentiation based on product innovation is no longer sustainable because competitors can leapfrog feature/function advantages more quickly than ever. And differentiation based on price kills profitability. On the other hand, research shows that 86 percent of consumers said they would be willing to pay more for a better customer experience.¹

To optimize both your market share and your margins, you must provide customers with consistent, compelling experiences—before, during, and after their purchases—across all channels. The tremendous impact that customer experience has on business performance is also evident on the downside. Nowadays, when customers have a bad experience with a company, they don’t keep it to themselves; they instantly start venting on social networks. This means you don’t just lose one customer; you lose many, hindering new and existing opportunities to grow your business. You also lose brand value and positive word of mouth—which may be the only truly cost-effective form of advertising left.

There are many things organizations need to do to deliver a superior customer experience. They must respond quickly to customer requests. They must ensure that customer interactions are highly personalized. And they must deliver the right information to the right place at the right time.

¹ 2011 *Customer Experience Impact Report* conducted by Harris Interactive

Investments in improving the customer experience start by understanding the customer lifecycle, making business changes that unify the customer experience across all channels, and measuring the value of these changes to both the business and the customer.

For upper managers, the challenge doesn't come in making incremental improvements to the company contact center or Website. Instead, it comes in shifting the strategic focus to providing stellar customer experience—empowering the people in the organization who are connected to each step along the customer's lifecycle to do what's needed individually and collectively to deliver compelling and consistent experiences.

Customer experience leadership, however, is not easy, and there are all kinds of issues that can derail even the best-intentioned customer experience initiatives. That's why so many companies fail to achieve customer experience excellence. But just as there exist a few issues that typically derail corporate customer experience initiatives, there are also best practices that can enable customer experience leaders to overcome these issues.

The following seven power lessons are derived from real-world experiences of successful customer experience leaders. By applying these lessons, you can better ensure the success of your company's customer experience initiatives—and avoid the most common and potentially disastrous customer experience pitfalls—so that you can optimally affect your company's top-line revenue, bottom-line profitability, and long-term brand value.

"Research shows that 86 percent of consumers will pay more for a better customer experience."

Harris Interactive, 2011 Customer Experience Impact Report

Power Lesson 1: Customer Experience Is Political

A top cable provider engaged in a major battle for market dominance has a strategy for increasing per-customer revenue through enhanced content and service offerings. One of the company's top managers proposes a major Website redesign to promote these offerings and steer customers toward incremental purchases. Another manager lobbies for an ad portal on the company's home page that will generate additional revenue—but won't increase customer engagement or satisfaction.

Which is more important: a superior online customer experience that will help grow a multibillion-dollar core business, or click-throughs that will detract from the customer experience and only yield a few cents each?

There are many ways you can improve the customer experience. Likewise, there are many ways you can turn an improved customer experience into incremental revenue. However, you won't be able to accomplish any of these things if the people in your company are pulling in opposite directions.

In fact, if you're not careful, an improved customer experience can easily lose to other competing interests such as short-term revenue grabs, overaggressive cost-cutting, and the "We've never done that before" mentality.

A key aspect of your mission as a customer experience leader is therefore to act as the political champion for customer experience. Everybody has to get on board with the idea that the quality and consistency of the customer experience is of central strategic value to the organization. Conversely, it has to be made clear to everybody that anything that undermines the quality and consistency of the customer experience should be viewed with suspicion—if not outright disdain.

To help everyone across your organization realize how important customer experience is to your company's future, make sure they understand several key concepts, including the following:

- Customer experience is *the* critical business differentiator because no one can successfully compete on products and/or price alone.
- Negative experiences get quickly and broadly socialized—and can kill brand value.
- 89 percent of consumers began doing business with a competitor following a poor customer experience.²

² 2011 Customer Experience Impact Report conducted by Harris Interactive

- After a poor customer experience, more than one-quarter of consumers (26 percent) posted negative complaints on a social networking site such as Facebook or Twitter.³
- Customer experience is the cumulative result of collective effort, so everybody’s individual contribution is critically important.

If you can build these factors into your organization’s culture—and be vigilant about enforcing them in practice—you stand a much better chance of becoming a customer experience leader in your market.

What not to do: Don’t expect that everyone will automatically put the customer first every time—or that they will intuitively understand why customer experience is strategically important to the business.

“50 percent of consumers give a brand only one week to respond to a question before they stop doing business with them.”

Harris Interactive, 2011 Customer Experience Impact Report

Power Lesson 2: Customer Experience Is Cultural

In its initial efforts to optimize customer experience, a consumer electronics company works on improving classic service metrics such as first-call resolution. As its customer experience program evolves, the company is able to capture emerging problems faster and post solutions to its Website. As a result, customers get immediate answers to their questions.

The company then moves its efforts beyond the service department, sharing the customer insight it captures with sales and product management. It also starts to proactively capture customer insight through surveys, social media, and voice-of-the-customer events. Eventually, this helps ensure that a fact-based understanding of customer preferences and needs drives all of the company’s core business processes—from product design and development through post-sales support and billing.

What competitive advantages arise from driving a culture of customer awareness across the company rather than just getting better at fixing problems? Which constituencies in the company benefit from this customer experience evolution?

To some, *customer experience* is just a buzzword—meaning little more than improving the performance metrics of a few customer-facing processes. To them, the question is, “How can we do fewer things that get customers mad?” not “How do we transform the culture of our organization to better serve our customers?”

But cultural transformation is exactly what’s needed to achieve truly differentiated customer experience. As long as some people at your company think that customer delight is someone else’s responsibility—or that customer experience is just a matter of improving a few select business

³ 2011 Customer Experience Impact Report conducted by Harris Interactive

processes—your company will always lag behind competitors who are making customer experience a core competency of the entire organization.

Truly customer-focused companies recognize that even a bad customer experience presents an opportunity. Of the consumers who got a response to their complaint, more than half of them had a positive reaction to the same company about which they were previously complaining.⁴ And these “recovered” customers are often more loyal than customers who’ve never experienced problems.

Customer experience leadership will therefore require you to cast a vision that emphasizes

- Aligning everything your company does with your customers’ goals
- Assigning high value to knowledge and anticipation of customers’ real needs and desires
- Incentivizing and rewarding personal initiative in the pursuit of customer delight

Customer experience leaders who can drive this kind of cultural change will radically affect their companies’ competitive position and business performance.

What not to do: Don’t settle for improving a few customer-facing business processes—or just eliminating a few common causes of customer complaints.

Leaders who place customer experience in this broader business context will do a better job of proactively contributing to overall business performance—and will be far less likely to face the kind of major customer experience shortfalls that erode customer satisfaction.

Power Lesson 3: To Thine Own Customer Experience Be True

A premium consumer brand is transitioning from high-margin sales of a technically differentiated product through specialty retailers to a significantly greater volume of lower-margin sales through mass-market retailers and its own Website. Historically, this company has depended on its expert specialty retailers for presales support and on its highly trained contact center agents for post-sales support. However, the company is no longer going to be selling the bulk of its products through those retailers—and per-call costs are too high for its new lower-margin model.

How can this company drive down the cost of support while maintaining the quality customer experience that has traditionally differentiated its brand?

Less experienced practitioners tend to think about customer experience in generic terms. After all, every company has customers, so every company needs to accomplish some common objectives when it comes to providing those customers with great experiences.

⁴ 2011 Customer Experience Impact Report conducted by Harris Interactive

However, although customer experience initiatives have much in common, they should also be understood as a means of addressing each company's unique business challenges. In the situation described above, for example, the development of an effective online self-service resource center is essential. Self-service can dramatically drive down the cost of customer interactions while providing immediate resolution of common questions. It also increases customer confidence in the company's online brand—which, in turn, can help drive direct online sales.

Another company in another situation might want to put more emphasis on their contact center or on the training of their retail channel partners. But in this case, online self-service aligns best with the company's broader business goals.

This example highlights the kinds of business issues customer experience leaders need to consider when formulating a customer experience strategy. These issues include

- Aligning the cost of customer interactions with profit margins
- Ensuring that the customer experience strategy supports the distribution/channel strategy
- Using customer experience to reinforce brand messaging and/or product marketing
- Allocating resources to customer experience based on its strategic value to the business and projected business growth

Leaders who place customer experience in this broader business context will do a better job of proactively contributing to overall business performance—and will be far less likely to face the kind of major customer experience shortfalls that erode customer satisfaction.

What not to do: Don't take a one-size-fits-all view of the customer experience that focuses only on incrementally improving basic metrics while ignoring how customer experience can help achieve more-strategic business objectives.

Leaders who nimbly adapt their customer experience capabilities to the tactical requirements of their business will drive better bottom-line performance and elevate the awareness of customer experience across the organization.

Power Lesson 4: Many Business Problems Are Really Customer Experience Problems

A company that hosts online communities faces growing pressure to protect its underage subscribers from stalkers and harassment. As its community designers develop the requirements for such protection, the company realizes that those requirements—including reporting mechanisms and incident resolution processes—map closely to its existing customer experience management functionality.

Later, the company realizes the same thing about its up-sell problem. By administering customer surveys and extending special offers to targeted subscribers based on those survey results, the company is able to attract a larger percentage of its customers to its premium services.

Having solved both a compliance problem and a sales problem with customer experience mechanisms, what other business challenges might such a company recast as customer experience challenges—and how might the company use its existing customer experience management capabilities to address them?

In addition to addressing strategic business issues, customer experience resources and processes can be applied to common tactical business problems. From the messages that you play for customers on your IVR system to the way you capture and distribute data on customer behaviors, you can leverage your customer experience capabilities in all kinds of ways.

There are several benefits that result from applying customer experience capabilities in this way. The first is obviously that the problem itself gets solved. The second is that your company can avoid having to spend money on acquiring, implementing, and managing additional technology and business resources, because you will instead be leveraging existing investments.

Another important benefit is that other areas of the business will become more engaged in both the concept and the reality of customer experience. This is essential for building a truly customer-focused culture—and for building political support for customer experience as a strategic imperative.

As you lead your company's customer experience efforts, think about how customer experience tools and techniques can be applied to common business challenges, such as the following:

- Ensuring that product development is driven by customers' top needs
- Mitigating the impact of staff turnover by enabling new hires to get quickly ramped up on institutional knowledge about customers and markets
- Fulfilling regulatory and governance requirements for internal problem resolution and whistleblowing
- Streamlining communications with vendors and contractors

What not to do: Don't be afraid to talk to your peers in product development, finance, compliance, facilities management, and other areas of the business about how you can help them address their tactical challenges.

The smarter approach is to limit the amount of data you present to anyone at any given time and to make it easy for them to navigate their way to additional related data if and when they need it.

Power Lesson 5: The Right Data Is Better Than More Data

Two companies are competing for customers. Both have made a reasonable commitment to customer experience as a strategic imperative. Company A collects all the data it can about customer preferences, status, and histories. Customer service agents at Company A are then given all this data—as well as a wealth of information about the company's products and processes—on their desktops.

Company B takes a different approach. It also collects all pertinent information about its customers, products, and processes. However, instead of inundating its customer service agents with all this information all the time, Company B uses context-based filtering to provide the agents with only the data needed to address the specific customer interaction at that moment.

Which company will be able to provide the better customer experience?

When you're on a mission, it's easy to fall into the trap of thinking more is more—especially when it comes to customer experience. After all, it does take a lot of data to engineer superior experiences for your customers. However, too much information can be just as bad as too little, because a sea of data can easily overwhelm customers—especially if that information is not easy to navigate. What's more, cluttered computer screens can slow down contact center agents, lengthening call times and eroding agent productivity.

A smarter approach is to limit the amount of data you present at any given time, making it easy for customers to navigate to additional related data—if and when they need it.

Here are some questions you should encourage your team to ask as they engineer data delivery:

- Can we automatically identify the nature of customer interactions using context clues such as caller ID, IVR queue, and/or where the customer was on our Website?
- What information do agents need to handle interactions with those known attributes?
- What additional information might customers and/or agents need during the course of such an interaction—and what would be the best/easiest/fastest way to get them to it?

By answering these questions instead of just trying to deliver as much data as possible, you can improve the quality of the customer experience while reducing operational costs.

What not to do: Don't overload people with more information than they need to expedite their most common interactions.

Because customer experience is such a critical competitive differentiator, it often makes sense to make it a core element of external messaging.

Power Lesson 6: Build Customer Experience into Your Brand

As a regulated monopoly, a regional utility has historically had little incentive to invest much in the customer experience. But the regulatory climate is starting to change. The government commission overseeing the utility even declares that its approval of future rate increases will be directly tied to measurable improvements in customer service.

Recognizing the gravity of the situation, the utility embarks on a variety of customer experience initiatives. In addition, because public perception of its service orientation will likely play a role in the commission's decision-making regarding rate increases and other issues, the utility makes customer experience the focus of its branding, telling its customers in essence that "If you had a choice, you would still choose us."

The branding campaign does indeed raise customer awareness of the utility's recent service improvements and greater long-term commitment to a superior customer experience. Its first subsequent request for a rate increase is approved with relative ease.

What might be the other benefits of customer experience branding?

Because customer experience is such a critical competitive differentiator, it often makes sense to make it a core element of external messaging. This calls attention to the differentiation your company has achieved and lets customers know that you view customer experience as central to your value proposition. This kind of branding also tends to raise customer expectations—not a bad thing. Because customer expectations are constantly being raised by their last excellent experience—even if that experience was with a competitor or with a company in an entirely different market space—it makes sense to embrace higher expectations and make them part of your company's brand differentiation.

External customer experience branding has implications internally as well. When you declare to the outside world that you are committed to customer experience, it reinforces that mission to your own employees. Conversely, as part of their external branding, many companies expose their internal employee customer experience mantra to the outside world.

Examples of customer-experience-based branding include

- “Provides online shoppers the best value and a superior customer experience.” (Overstock.com)
- “Meeting needs. Exceeding expectations.” (Nikon)
- “We give each customer a great shopping experience.” (drugstore.com)

These branding statements help to identify their owners as having made customer experience a companywide priority.

What not to do: Don't fear setting a high standard for your company by making an explicit declaration to the marketplace and your employees that you have set your sights on customer experience leadership.

The office of the chief customer experience officer should be charged with transforming the company culture so that it becomes increasingly driven by the needs and desires of its customers rather than by product features or quarterly sales performance.

Power Lesson 7: Become a Chief Customer Experience Officer

Recognizing that customer experience is its key differentiator in a highly competitive market, a financial services company creates the position of chief customer experience officer (CXO). Rather than giving the CXO a large staff and centralized ownership of the customer experience, the company gives the CXO a small staff and a mission to lead improvement of the customer experience across all functional areas of the company.

The CXO team's initial activities included mapping the customer experience, building communications with employees, and establishing a voice-of-the-customer program. The team also identified the company's most-profitable customers so that it could focus on the factors that were either reinforcing their loyalty or leading to their loss.

Within 18 months, the company began to see improvements in metrics such as net promoter and customer retention. The activity of the CXO's team also sent a clear message to both employees and customers that the company was serious about having its products and processes fully driven by the needs of its customers.

How else can a CXO affect the customer experience in both the short and long term?

Increasingly, companies that are serious about customer experience are realizing that they need to establish an office of the CXO. After all, if operations, finance, IT, and compliance are important enough to warrant a COO, CFO, CIO, and CCO, respectively, then it makes sense to validate the importance of the customer experience with a similar C-level position.

Because their leadership extends into all areas of the company, CXOs need a clear mandate and strong support from the CEO and the rest of the executive team. Although metrics are important, the mission of the CXO's office should go beyond simply improving some predetermined metrics. Instead, the CXO's office should be charged with transforming the company culture so that it is driven by the needs and desires of its customers rather than by product features or quarterly sales performance.

Key considerations in the creation of a CXO position and a CXO team include

- Executive-level consensus that customer experience is success-critical and requires broad cultural change
- Willingness to make that cultural change a fully prioritized long-term project
- Establishment of an appropriate operating model that includes face time with executives, employees, and customers
- Creation of mechanisms and appropriate metrics that deliver visibility into the progress of the company's customer experience efforts

What not to do: Don't let organizational or personal inertia keep you from elevating customer experience to a C-level executive responsibility—and thereby institutionalizing your company's commitment to its customers.

Conclusion

In today's global markets, customer experience has become a key business differentiator—yet delighting customers is not always easy. By focusing on the best practices outlined in the seven power lessons presented here, companies can ensure that their customer experience initiatives succeed. The result: improved revenue, enhanced bottom-line profitability, and long-term brand value.



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