

The next competitive **BATTLEGROUND?**

With customer experience receiving more attention than ever before, we explore the impact on the bottom line.

The basic concept of customer experience is now widely understood. In sectors as diverse as local government, retail and financial services, there is an agreement that functionality and price are no longer enough. Instead, organisations are beginning to focus on improving all of the interactions that customers have with them.

It is a trend that was discernible back in 2003, when Beyond Philosophy found that 71% of business leaders saw customer experience as the next competitive battleground. By 2005, 95% had come round to this view. So have investments in improving customer experience lived up to their promises?

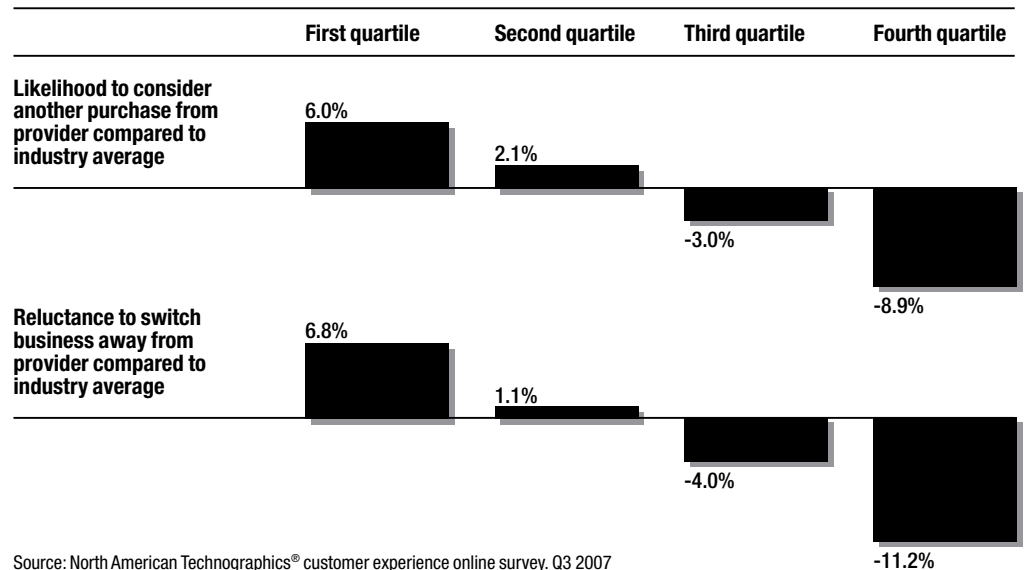
The bottom line

The latest studies suggest that customer experience has rightly become a priority. According to Forrester Research, there is a remarkably close correlation between good customer experience and customer loyalty.

Forrester's Customer Experience Index (CxPi) ranks 112 US firms for their ability to deliver a good customer experience. Significantly, customers of the firms in the top quartile were 6% more likely to make additional purchases than the industry average. Customers of those in the bottom quartile were 8.9% less likely to make another purchase. (See Figure 1)

FIG. 1: BUSINESS DYNAMICS ARE BETTER FOR CUSTOMER EXPERIENCE LEADERS

Customer experience index relative to industry average



Source: North American Technographics® customer experience online survey, Q3 2007

Very few senior executives regularly interact with their customers or monitor the quality of customer interactions to make sure the situation is genuinely improving.

The same report examined the reluctance of customers to take their business elsewhere. Once again, a good customer experience was closely aligned with a sense of loyalty and a disinclination to switch to a different provider.

In purely financial terms, retailers delivering the worst customer experience are losing out on an astonishing \$184 million a year in revenue, according to Forrester's calculations. The figures are even more compelling for large banks, where revenues for the worst performers can be \$242 million behind the industry leaders.

Failing to deliver

It is clear that, for many companies, investment in customer experience has been valuable. But what of the firms that are making the effort without seeing the results? It seems too many are still misinterpreting the very essence of customer experience and are therefore failing to tackle the weaknesses that their customers perceive.

For example, while most customer experience decision-makers have a clearly defined set of target customers, their employees still lack an understanding of who these customers are and what their needs are. And while decision-makers understand and try to reinforce brand attributes, employees often fail to represent their brand in a consistent and relevant way.

"It is one thing for decision-makers to understand customer experience but communicating it across the organisation is another thing entirely. Organisations need to work smart and hard to get the message across in a way that is meaningful to staff in their day to day jobs," says Ann Sinclair, Head of the Customer Experience Programme at Fujitsu. "When senior executives do not regularly interact with their customers they don't get a realistic view of whether the quality of customer interactions is genuinely improving. And they don't see and experience for themselves the challenges their staff face every day," she says.

A way forward

To gain a greater understanding of the challenges organisations face – and the innovative ways in which they are responding – Fujitsu commissioned 12 focus groups, conducted 2,400 customer interviews and spoke to a number of large banks face-to-face. The research highlighted five key pillars of customer experience that need to be considered.

As Ann Sinclair points out, the fifth pillar of customer experience touches on the crux of the matter.

"Historically, organisations have sought new strategies and technological solutions that make their own tasks easier and more efficient," she says. "Increasingly, the most successful organisations are instead approaching the customer experience from the 'outside in', putting themselves in their customers' shoes before making any decisions. It sounds simple, but designing solutions around the customer can offer a profound competitive advantage and lead to insights that can promote continuous improvement."

She points out, however, that organisations should not expect overnight success. "We are discussing a fundamental shift in the way organisations think about their customers. It involves changes to people, processes and technology and this will clearly take time."

As we are beginning to see, this patience is handsomely rewarded.

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FIVE PILLARS OF CUSTOMER EXPERIENCE:

1. Speed: It is crucial to understand the speed at which your customer wants to move. This can alter dramatically depending on the situation. Paying tax is something you might want to get done as quickly as possible, but you would like a consultation with a doctor to be a bit longer and involve more detailed discussion.

2. Context: Until an organisation can recognise different customer contexts and motivations and respond appropriately, it will be impossible to deliver a relevant customer experience. For example, a customer buying a lunchtime snack at

the supermarket is likely to have a very different attitude when in the same supermarket on a Saturday morning, with children around, attempting to do the household grocery shop.

3. Security: More than 60% of respondents to a Fujitsu survey did not want to share personal information when making a purchase. If there is no trust, customer experience cannot help but be poor. Organisations need to prove that they will treat personal information with respect, keeping it secure, not using it for inappropriate sales and marketing messages and being more transparent so customers are clear on what value they get for sharing personal information.

4. Value: Establish what customers value and what you can afford to deliver. When the price is right, relatively basic customer service will often be more than acceptable. easyJet is a classic example. Expectation is set low along with price, but that doesn't mean customers have a bad experience.

5. Simplicity: Organisations need to think about engagements from the customer's perspective, recognising that simplicity is often the most important quality. Complicated form filling or having to explain a situation multiple times may just make a customer try somewhere else.

WHAT NEXT?

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