



**SEVEN KEYS TO IMPROVED
CUSTOMER EXPERIENCE:
A Practical Guide to Creating Holistic
Customer Experiences that Drive
Long-term Loyalty and Profit**

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Introduction

Success in today's highly competitive global marketplace requires more than simply delivering quality products and services. Businesses know that no matter how good their products and services are, they will most likely become commoditized in a relatively short period of time. What's more, the global online marketplace provides customers with a greater number of choices and unprecedented access to information, thus empowering them to shop for what is most important to them – be it service, price, brand, or any number of factors. The differentiators which separate companies now are the experiences they create for their customers.

Companies that recognize the importance of Customer Experience Management (CEM) and are proactive in their efforts, realize significant revenue and reputation benefits. A leading analyst group recently discovered that companies in the top quarter of their "Customer Experience Index" could experience a 6% lift in likelihood for additional purchases, while companies in the bottom quarter could expect to see an 8.9% reduction, based on a cross-industry standard.

Given the volatility in the marketplace, there is no better time to optimize the experiences your customers have each and every time they interact with your organization. Our Seven Keys to Improved Customer Experiences provide the structure, processes, and tools any company can use to proactively understand their customer experiences and implement changes to improve them. This ability to be "market responsive," and know how to respond quickly and effectively to market changes, is an important competitive advantage.

A Holistic Approach to Optimizing Customer Experiences

Customers view their interactions with a company holistically, yet most organizations force customers to navigate the internal organizational model through complex websites, sales processes, and customer support. Customer-centric companies must be willing to look at and address the end-to-end customer experience – including the related people, processes, and tools. Our **Seven Keys to Improved Customer Experiences** help transform an organization by putting customers first in every aspect of a company's business—from product development and marketing to sales and customer service. By focusing on the customer, every aspect of a company's business can be optimized to have the greatest impact on the customer experience and ultimately, the company's bottom line.

1. Establish and Maintain Executive Buy-In and Support

Defining and implementing customer-focused strategies are far more dependent on people than infrastructure. Leadership must set the priorities and strategic direction for customer strategies and reinforce its commitment and involvement in related efforts. We fully agree with Gartner Group's perspective that a customer relationship marketing program is typically 45% dependent on the right executive leadership, 40% on project management implementation, and 15% on technology.

"Customer Experience Management is the totality of an individual customer's interactions with a company and its brand over time. It provides a company the opportunity to explore the variety of interactions customers have and to develop and implement a consistent, satisfactory experience—from initial exposure to a brand, product or service, through customer support interactions and ultimately, through replacement when they make a repurchase decision."

Peppers & Rogers
Leading Customer Advocacy Team

Continual executive support and buy-in are necessary to give CEM the weight it needs to succeed in an organization. In a Harvard Business Review, Understanding the Customer Experience (Feb. 2007), the authors state that customer experience does not improve until it becomes a top priority; and the company's processes, systems, and structure change to reflect that precedence. Employees will begin to change their own behavior only when they observe senior leadership persistently demanding customer-focused information and using it to make key decisions.

2. Define a Holistic Customer Strategy and Vision

Our experiences with CEM initiatives show that a customer strategy and vision will only be as comprehensive as it is inclusive. Companies that take the time to develop cross-functional, cross-organizational teams have been the most successful in envisioning and implementing more robust customer strategies and vision. A comprehensive customer strategy creates the guiding principles for any customer-facing initiative by articulating the philosophy that should permeate and manifest across any customer touch point. Without it, companies run the risk of having their reputation defined by the aggregation of the inconsistent experiences inflicted on customers.

Customer insight and intimacy are needed to develop a meaningful customer strategy. There are many well known ways to gather customer insights, but we place the greatest value on two often under-utilized sources – the customer themselves and employees or partners who have direct interaction with customers. We have used the following tools to uncover valuable “voice of the customer” insights, which are then used in strategy development efforts:

- **Journaling:** Journaling by front-line employees and customers is a powerful tool for gathering deep insight through observation and conversation that is often not captured in systems. Insights such as the reason for engaging with a company, how customers feel about steps in a specific process that they may find confusing and/or unnecessary, and suggestions for experience improvement, etc.
- **Personas:** Think online dating profiles! Personas help bring customer segments to life – or, they can be an ideal way to begin creating informal customer segments if none currently exist. Personas are created by leveraging data from all potential sources – front-line employees, partners, databases, etc. Personas provide rich perspectives that expand beyond standard demographic data into personal preferences, skills, interest, hobbies, buying behavior, etc.
- **Customer Interviews and Focus Groups:** Interviews and focus groups are effective at quickly understanding customers and perceptions of your company. Advances in technology allow interviews and focus groups to be effectively managed online as well, which can reduce the time and cost to facilitate.
- **Unstructured Data:** Companies today have access to an untold amount of customer data through a variety of channels such as blogs, online forums, wikis, mobile, call centers, etc. However, most companies have yet to determine how to exploit that data. Unstructured data is an embarrassment of riches, so to speak. Companies that make the effort to

identify the most relevant sources of customer insight, understand the data, and analyze it in conjunction with structured customer data from internal databases and CRM systems, will have the most comprehensive understanding of their customers.

3. Prioritize Key Customer Touch Points

Customer-focused initiatives always come under scrutiny for immediate return on investment. Tough economic times make these investments even more difficult to sustain. The companies that are most successful are investing in customer strategies in small increments. Rather than 'boiling the ocean' and taking on more than can be reasonably addressed, companies should identify and tackle the customer touch points with the highest impact on customer satisfaction. Making incremental improvements toward the long-term customer vision will create tangible results that will lend credibility to customer-focused initiatives. A roadmap that outlines which experiences to address in what order is an effective tool to set expectations with executives as well as to the broader organization. For example, if most customers interact with your organization through the company website, that may be one of the first touch points to assess and improve.

Benchmarking your company against the competition – or other best-in-class companies – is another way to identify high-value customer touch points that should be improved. When benchmarking, ensure the analysis expands beyond pure statistics, because great stats do not guarantee a positive customer experience. Pay close attention to the overall processes customers are asked to follow, interaction with employees, and the physical environment that make up the overall customer experience.

4. Design from the Customer's Perspective

Once a customer strategy and vision have been defined, it is important to ensure that they manifest in key customer touch points. As a leading industry analyst advised, "the key to CEM is to support customers in every interaction and not try to manage them to what you want, but rather learn what they want, and respond appropriately to those needs." Incorporating the voice of the customer into programs and processes is critical, as most organizations do not intuitively know what experiences their customers want and expect. The results of a survey emphasizing this point, identifies a huge disparity between a customer's perceptions of receiving a superior experience (8%) vs. the company's perception that actually provided the experience (80%).

One excellent tool used to both understand current customer experiences and design new experiences is Customer Experience Process Mapping. Detailed current-state customer experience maps highlight all the steps a customer goes through when interacting with a company. This information is often surprising, as most companies design processes from the inside out, with little regard to the impact on the customer. The primary focus of current-state customer experience process maps should be on the customer, not the internal processes or infrastructure that supports the experiences. The value of mapping current-state customer experiences is to identify "critical impact points" or "moments of truth" - key touch points that matter most to customers.

Once the current-state is understood and the 'moments of truth' have been identified, new experiences can be created that align with the defined customer

strategy and vision to address customer pain points. While the starting point of future-state customer experience process maps will be the customer, it is important to include internal processes and the supporting infrastructure at this point to ensure the future-state experiences can be realized. It's also important to make sure future-state experiences are connected from one touch point to the next and consistent across all channels – online and offline.

5. Create a Customer-Centric Organization

All employees within an organization, not just front-line employees, are responsible for delivering experiences that delight customers. It is critical for every employee to understand the role they play and feel enabled to deliver experiences that align with the defined strategy and vision. Consider the following:

- Do **hiring** processes ensure candidates are screened for the right customer experience **attitude and aptitude**?
- Are employees provided with the **training** required to build the knowledge, skills, and behaviors that will enable them to successfully perform in the future-state?
- Are employees **empowered** and given the freedom to make real-time decisions to positively impact the customer experience?
- Are the right **incentives and rewards** in place to encourage and recognize desired behaviors?

6. Test, Measure, and Learn

Customer experience management initiatives should be approached with what we call a 'test and learn mentality' because optimizing customer experiences is just as much an art as it is a science. Companies must begin to make informed decisions about how to engage with their customers based on the qualitative and quantitative data currently available. Prior to implementing any customer experience changes, clearly articulate the expected benefits and develop a measurement plan that will enable your company to evaluate whether the expected benefits were realized. If the desired results were not realized, be willing to continue refining the process. Not achieving the desired result should be viewed as vital learning that is needed to incorporate into future enhancements.

Equally vital to the process is the ability to recognize that demands in customer experiences shift as companies and customers mature. Therefore, market responsive companies have a competitive advantage if they can continually assess customer experiences to make certain they are still relevant and are driving the desired behaviors and perceptions.

Many organizations fail to realize that the assessment of a customer-oriented strategy requires the introduction of metrics often different from routine financial practices. Consequently, they struggle to justify a long-term investment in customer strategies because the impact to the enterprise is not readily apparent using existing financial measures.

According to a Wharton School and PricewaterhouseCoopers' survey of 157 chief financial officers, only 23% consistently built and accurately verified causal models between chosen drivers of strategic success and outcomes. Yet, those

23% on average had 2.95% higher return on assets (ROA) and 5.14% higher return on equity (ROE) than companies that did not use casual models. By consistently marrying customer experience strategies and initiatives with appropriate financial and non-financial metrics, firms can adequately assess and refine their strategies to better align with desired results.

There are effective measurement tools and techniques which provide a well-rounded picture of a company's success in its customer strategies and overall ability to increase the long-term value of its customer base. Such measurements include retention rates, frequency of customer purchases or visits, net promoter scores (NPS), annual spend/average ticket price, and valuation of word of mouth.

7. Prepare the Organization for Change

Transforming into a more customer centric and “market responsive” company is a journey, not a destination. Companies that take this journey will often undergo significant cultural changes as the fundamental nature of the company shifts. The impact of this change on an organization should not be overlooked. Study after study (and experience after experience) shows that new strategies, initiatives, and/or programs often fail due to an insufficient focus on organizational change management (OCM).

Hitachi Consulting believes there are four key disciplines that must be addressed when leading a company through change:

1. **Organizational Landscape:** Each organization is unique. It is therefore important to assess the current organizational environment, develop the appropriate Change Management approach, and build the infrastructure for sustainable change.
2. **Leadership and Stakeholder Commitment:** Executive buy-in and support is one of our key success factors, as noted above. Executives often need to be coached and armed with the resources they need to guide their teams through individual and organizational transitions.
3. **Communication:** As an organization goes through a transition, it is critical to deliver the right message to the right person at the right time.
4. **Learning:** It is important to build the knowledge, skills, and behaviors to enable individuals to successfully perform in the future state.

With Customer Experience Management, Companies Gain a Competitive Advantage

In today's highly competitive and commoditized world, companies need a way to differentiate themselves from the competition. What's more, the economic volatility is shrinking the customer base over night. Customers are lost but not necessarily to the competition. A company's ability to consistently deliver positive customer experiences is one of the last remaining competitive advantages.

While much has been written about CEM, only a limited number of companies have fully incorporated it into their business practices. According to the Customer Experience Maturity Monitor only 20% of companies today even understand the state of their customer experience success by measuring it holistically across all



Take this Quiz: Are You Ready For This Quiz?

- ✓ Do executives regularly meet with their teams and with front-line employees to ensure their customer experience vision is being carried out and reinforced throughout the organization?
- ✓ Do your employees all have customer experience goals that measure their performance, regardless of the role they play in the organization? Are they incented or rewarded for customer-aware service?
- ✓ Are your customers' experiences consistent regardless of whom/how they interact with the company?
- ✓ Are you retaining and gaining customers and market share and can attribute this gain to customer satisfaction and loyalty?
- ✓ Do you regularly benchmark your customer's experience against your competition?

If you answered NO to most of the above questions, then your company will benefit from CEM best practices. Contact Hitachi Consulting at www.hitachiconsulting.com

channels. This statistic indicates there are significant opportunities for companies to differentiate themselves by truly understanding and responding to the individual preferences of their customers.

There is no better time than now to begin developing mutually beneficial, long-term relationships with your customers. As we like to communicate to our clients, "If you're not thinking about your customers, someone else will." This perspective is supported by the same Customer Experience Maturity Monitor, which indicated 85% of companies state the customer experience will play a critical or very important role in their competitiveness.

Our **Seven Keys to Improved Customer Experiences** provides the practical guidance necessary for any organization committed to the journey towards customer centricity. Executive sponsorship is required, from the establishment of the customer strategy and vision through the implementation of customer-focused processes and programs that are designed from the customer's point of view. Employee hiring and management practices will need to be revisited to ensure employees have both the orientation and empowerment to be customer advocates.

The journey will be long and imperfect—companies must be prepared to continuously listen, respond, measure, and refine along the way. We hope you are ready to begin. The return on investment, such as improved customer satisfaction and loyalty, increased future buying potential, and a reduction in the cost to serve customers, will be well worth it.

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About Hitachi Consulting Corporation

[Building the Market Responsive Company](#)SM

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, with operations in the United States, Europe and Asia, Hitachi Consulting is a recognized leader in delivering proven business and IT strategies and solutions to Global 2000 companies across many industries. With a balanced view of strategy, people,

process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions. From business strategy development through application deployment, our consultants are committed to helping clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting's client base includes 25 percent of the Global 100 as well as many leading mid-market companies. We offer a client-focused, collaborative approach and transfer knowledge throughout each engagement.

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About Hitachi

Hitachi, Ltd., (NYSE: HIT / TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 390,000 employees worldwide. Fiscal 2007 (ended March 31, 2008) consolidated revenues totaled 11,226 billion yen (\$112.2 billion). The company offers a wide range of systems, products and services in market sectors including information systems, electronic devices, power and industrial systems, consumer products, materials, logistics and financial services. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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