Customer Experience Management:
The Value of "Moments of Truth"

Part 1 of 2

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RightNow (RNOW) is leading the industry beyond CRM to high-impact Customer Experience Management solutions. More than 1,500 companies around the world turn to RightNow to drive a superior customer experience across the frontlines of their business. As a win-on-service strategy becomes a business imperative, Customer Experience Management solutions have become essential for business success. Founded in 1997, RightNow is headquartered in Bozeman, Montana, with additional offices in North America, Europe and Asia. For more information, visit www.rightnow.com.

Executive Summary

Nearly 25 years ago, Jan Carlzon engineered a turnaround at Scandinavian Airlines by improving "moments of truth" in passenger interactions with the airline. Since then, relationship marketing and Customer Relationship Management (CRM) have been mostly concerned with how to market *to* customers and get value *from* them, often with IT-based strategies. But largely forgotten was the insight that Carlzon understood intuitively: Customers perceive value based on the *experiences* they receive.

These days, it seems the phrase "customer experience" is on the lips of every marketer and business consultant. And really, it's not a moment too soon. All too often, we've seen executives pay lip service to the customer while gearing their business to short-term payoffs. But in this age of customers empowered with global shopping carts, that won't cut it. Colin Shaw, founding partner of Beyond Philosophy, and John Ivens argue that customer experiences are critically important. "We are witnessing the first ripples of a fast approaching new wave of change, breaking upon the shore of a new business differentiator," they write in their 2002 book *Building Great Customer Experiences* (Palgrave MacMillan).

Think about your own behavior. While using Starbucks as your remote office, you sip on a *tall* latte and catch up on email. When you travel, you rent your car from Enterprise Rent-A-Car and stay at Marriott hotels—brands that fulfill their promise to you. When you get a free weekend, you head for the open road on your Harley. You listen to music on your iPod. You buy DVDs, kids' toys, clothes, electronics and, oh yes, books at Amazon.com.

These firms know the secret to building loyalty and growing your business. Why? Because they make a connection with customers that transcends the basic functional value they offer. Unfortunately, such stellar experiences are not the norm. In CRMGuru's survey, only 22 percent of customers agreed that companies "currently provide an excellent customer experience" in major industries like banking, air travel and electronics. The silver lining, though, is that companies that excel can build a more sustainable competitive edge based on an emotional bond.

But what is the "customer experience" and how can you tap into it? What is Customer Experience Management and how does it relate to Customer Relationship Management? And why are so few businesses focusing on the customer experience, let alone managing it *well*?

In this paper, we'll discuss the customer experience from the point of view of the customer, based on CRMGuru research conducted in April 2006. In a second paper, we'll analyze CEM from the enterprise perspective, and highlight performance gaps and methodologies to improve customer experiences while driving loyal and profitable relationships.

Consider what customers had to say in our recent survey. Some key findings include the following:

- In earning their loyalty, customers rate their quality of *interactions* with an organization as equally important to the quality of the *goods or services* purchased.

- Off-shoring and IVR initiatives, popular methods to cut the cost of customer interactions, have not improved customer experiences for more than 90 percent of survey respondents.

- In contrast, investing in employee training and Internet-based sales and support has generally had a more positive effect, improving customer experiences more than a third of the time.

- Post-sales service/support activities are the most likely to generate a "memorable" experience, either positive or negative, because of the strong emotions that often result in problem situations.

- Memorable experiences build loyalty—31 percent of customers in the survey recommended the company to a friend or colleague, and 19 percent increased their purchases.

- "Well-trained and helpful employees" is the top attribute of companies that provide "consistently excellent" customer experiences.

What Is Customer Experience Management?

To manage customer experiences, you must first understand what "customer experience" means. It's almost as difficult to pin down as "customer relationship."

"Customer Experience" and "Management" Defined

Experts interviewed for this paper offered many different definitions, but virtually all agreed that customer experiences included interactions with an organization's people, processes or systems. Some said experiences also included interactions with a product. And others said that experiences included the feelings or emotional responses generated by the interactions.

Customer perception seems at the heart of what a customer experience is about, so we asked CRMGuru survey respondents for their perspective. When asked to pick from a list of expert definitions, nearly 50 percent chose: "The sum of all my interactions with a brand's products, services and people." But one respondent highlighted the importance of human perception in this write-in definition of customer experience: "The feelings and thoughts resulting from all impressions, tangible and intangible, from anyone or anything representing, directly or indirectly, an organization, brand or product." Well said.

Customer experiences include every point in which the customer interacts with your business, product or service. For the Starbucks customer, for example, it includes the anticipation of going to Starbucks, walking up to a shop, opening the door, ordering and paying for the coffee, getting the coffee, sitting down in the atmosphere of the shop to enjoy the coffee. Each interaction point is what SAS' Carlzon would call a "moment of truth." That's the point at which your customer is engaging with your brand and at which you can make or break the relationship.

(Note: This paper was written with the help of a few *venti* lattes and apple fritters served up at the local Starbucks!)

For the purposes of this white paper, our definition of customer experience is:

The customer's perception of interactions with a brand

Let's break that down to understand it more clearly:

- "Perception" is critical, because unless the customer thinks or feels that something happened, it hasn't. And perception can include the emotional aspect of the interaction.

- An "interaction" could mean literally anything from viewing a marketing message to the actual use of a product or service to a post-purchase service/support activity to solve a problem.

- Finally, "brand" means far more than a logo or marketing communication. In the customer's mind, the brand is a symbol for the organization and a promise to be fulfilled.

Customer Experience Management, therefore, is simply managing customer experiences. That was easy! But this begs the question: To accomplish what? A more useful definition of CEM is:

Managing customer interactions to build brand equity and improve long-term profitability

"Managing" anything requires measurement, but it's tricky to quantify how customers perceive and value experiences. "It is important to note that customers intuitively judge the experiences they receive. That is, they often are not able to consciously point out why an experience resonates with them, but they know when it works or, conversely, when it doesn't," says Qaalfa Dibeehi, director of thought leadership and vice president for Beyond Philosophy, the London-based customer experience advisory and consulting firm.

Those "soft" responses are what set Customer Experience Management (CEM) apart from most other business strategies. They can't easily be quantified by numbers and technology. It's also what some would say differentiates CEM from *CRM*, Customer Relationship Management. When it comes to defining CEM, you can view it as an extension of CRM *as a strategy*, paying particular attention to the customer's emotion and considering the product itself as an experience.

How CEM Relates to CRM

Customer Relationship Management (CRM) is a business strategy to acquire, grow and retain profitable customer relationships. In previous research on CRMGuru.com, we found that more than 80 percent of business managers seem to understand that CRM is a customer-centric way of doing business, not just technology to automate front-office processes.

Managing customer experiences is an integral part of what CRM should be—a win-win value exchange between a company and its customers. Loyal customer relationships are built on what the customer perceives and feels about the product/service purchased and interactions with the organization. At a fair price, of course. Says CRM industry veteran and CSO Insights' partner Barry Trailer, "CRM and CEM are really synonymous, if you look at CRM as a business strategy, rather than just technology."

Yet, the reality is that some people do equate CRM with technology used for tactical automation projects, and many of those consider it technology that hasn't always made a business successful. (CRMGuru's research has found that about two-thirds of IT-focused CRM projects are successful.) So in some minds, the term Customer Relationship Management has become tainted and must be avoided, while Customer *Experience* Management is another name for a customer-centric strategy without any stigma attached.

Others see Customer Experience Management as an extension of CRM to provide a true customer focus.

"At its highest level, CRM defines what the company wants from the customer relationship and gathers the information and insight that is analyzed against products and service to find optimum opportunities to sell," according to David Rance, managing director of Round (U.K.) Limited. "CEM is the mechanism by which the customer is engaged to optimize the potential customer loyalty and long-term value that is defined by CRM. The customer experience is the emotional part of any transaction."

Lior Arussy, customer strategy expert and president of Strativity Group and author of *Passionate & Profitable* (Wiley, 2005), agrees that CEM is about "managing the value proposition as the customer perceives it," while CRM is concerned with "maximizing the revenue and value to the company."

Of course, loyalty research tells us that there is a linkage between the customer's perceived value and loyalty and the company's revenue and profits. But in practice, too many companies focus more attention on the ends (revenue and profit) and ignore the means (the customer's value proposition). "Organizations think CRM will create the customer experience for them, but it's just a tool," author Shaun Smith, director of the London-based shaunsmith+co, told us.

Customer Process Improvement

Many find CEM to be an organizational strategy for managing customer interactions. HP, for instance has placed customer experience high on its organizational chart, with a department dedicated to Total Customer Experience. Its research director, Katherine Armstrong, calls CEM a "designed and structured approach to planning and managing the customer experience end to end."

In such cases, the business takes an active role in managing customer interactions, including setting expectations to protect the brand value.

If you define CRM, at least in part, as a method of customer process improvement (technology-based or otherwise), then you'll see plenty of overlap between CRM and CEM in our recent survey.

The quality of the actual product or service being purchased is still critical, to be sure. However, as you can see in the following chart, the quality of sales, purchasing and service/support activities received a significant percentage (ranging from 58 percent to 66 percent) of high importance ratings. Marketing communications were not rated highly, but keep in mind that marketing messages are one way in which companies make promises that they have to keep.

Factors in Earning Loyalty
How important is the quality of each of these activities in earning your loyalty?

Activity	Percent High Importance (Top 2 Box)
Product or service	84%
Sales interactions	66%
Purchasing process	62%
Service and support	58%
Marketing communications	22%

Percent High Importance (Top 2 Box)
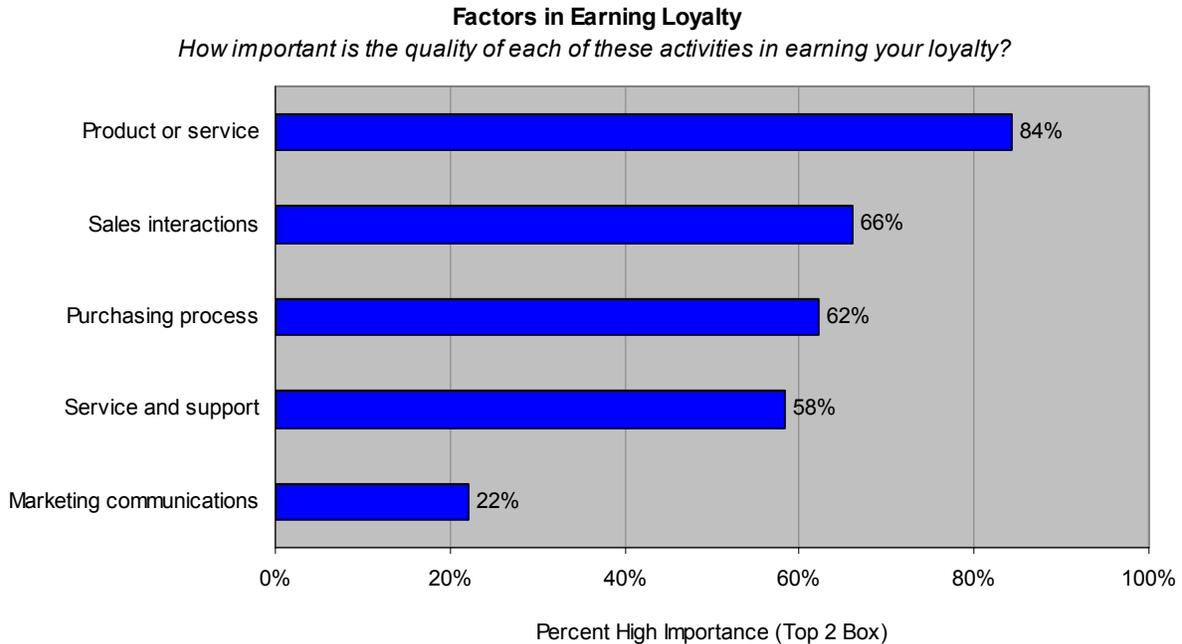
Emotions and Experiential Products

Is there any real difference between CRM and CEM? Yes, in two areas. CRM is usually more clearly focused on customers' value *to* the enterprise. There's nothing wrong with that—businesses exist to make money, and customers are valuable assets that require varying levels of attention and investment. But CEM brings in the new dimensions of customer emotions and "experiential" products (a type of product innovation), both of which are value that customers receive *from* the enterprise. Classic CRM projects rarely consider such things.

"At a broad level, [CRM and CEM] are similar," said Bernd H. Schmitt, professor of international business at Columbia University and author of five books, including *Experiential Marketing* (Free Press, 1999) and *Customer Experience Management* (Wiley, 2003). To Schmitt, CRM is supposed to focus on customer loyalty and making sure customers are treated well. To that end, businesses can turn to their CRM systems to find out whether the contact center treated customers well, contacted them when they wanted to be contacted and fixed a problem.

But, Bernd says, CRM falls short of the emotional connection that is at the heart of Customer Experience Management. "I would say CEM is a bit broader. I don't think people will talk about the aesthetic aspects of the product or design [when talking about CRM], but that's part of the experience."

Beyond Philosophy's Dibeehi agrees. "Where CRM had to be in large part inside-out in perspective (i.e., viewing the company from the inside) to begin to set a foundation for customer-centric action within the business, CEM is outside-in (i.e., viewing the company from the point of view of the customer) to make certain that the actions of the business resonates with customers in a positive way."

Step Back and Stop Managing

Some people are so emphatic about the importance of looking at the business from the customer's point of view that they cringe at the reference to "management." Paul Greenberg, author of *CRM at the Speed of Light: Essential Customer Strategies for the 21st Century*, (3rd Edition McGraw-Hill, 2004), and a big proponent of focusing on the customer experience, warns against approaching that experience as something you can "manage." "What the customer needs is to manage their own experience; they don't need to have it managed for them," he says. Instead, you must *examine* the customer and his or her experience with your business carefully, mapping out every point at which the customer touches your organization and then tailor your business to accommodate what you've found out.

As Rance of customer-experience specialist Round says, "Customer Experience Management attempts to define how all the customer management capabilities within an organization, such as the brand, marketing, business rules, processes, decision-making authority, training, employee engagement customer data and metrics, etc. combine to influence the customer experience."

Yin and Yang

Previous CRMGuru-sponsored studies have found that customer-centric planning—taking an outside-in approach—is the No. 1 driver of CRM success. The emergence of CEM brings new focus to the oft-neglected task of examining the customer value proposition.

Customer strategy expert Jim Barnes believes that you shouldn't neglect some basic principles of CRM when you turn to Customer Experience Management. "Maybe we should approach CEM, as we should CRM, from the customer's viewpoint. What will customers consider a genuine positive experience? I believe it will have to appear genuine, not staged or synthetic."

Put it all together, and it seems the CEM and CRM have more in common than differences. After all, relationships are developed through a series of experiences over time.

Perhaps we can sum up by saying that CEM and CRM are the Yin and Yang of customer-to-business relationships. The Yin-Yang concept originates in ancient Chinese philosophy and describes two primal opposing, but complementary, forces found in all things in the universe. There's no record about whether the Chinese found it necessary to turn every concept into a Three Letter Acronym (TLA).
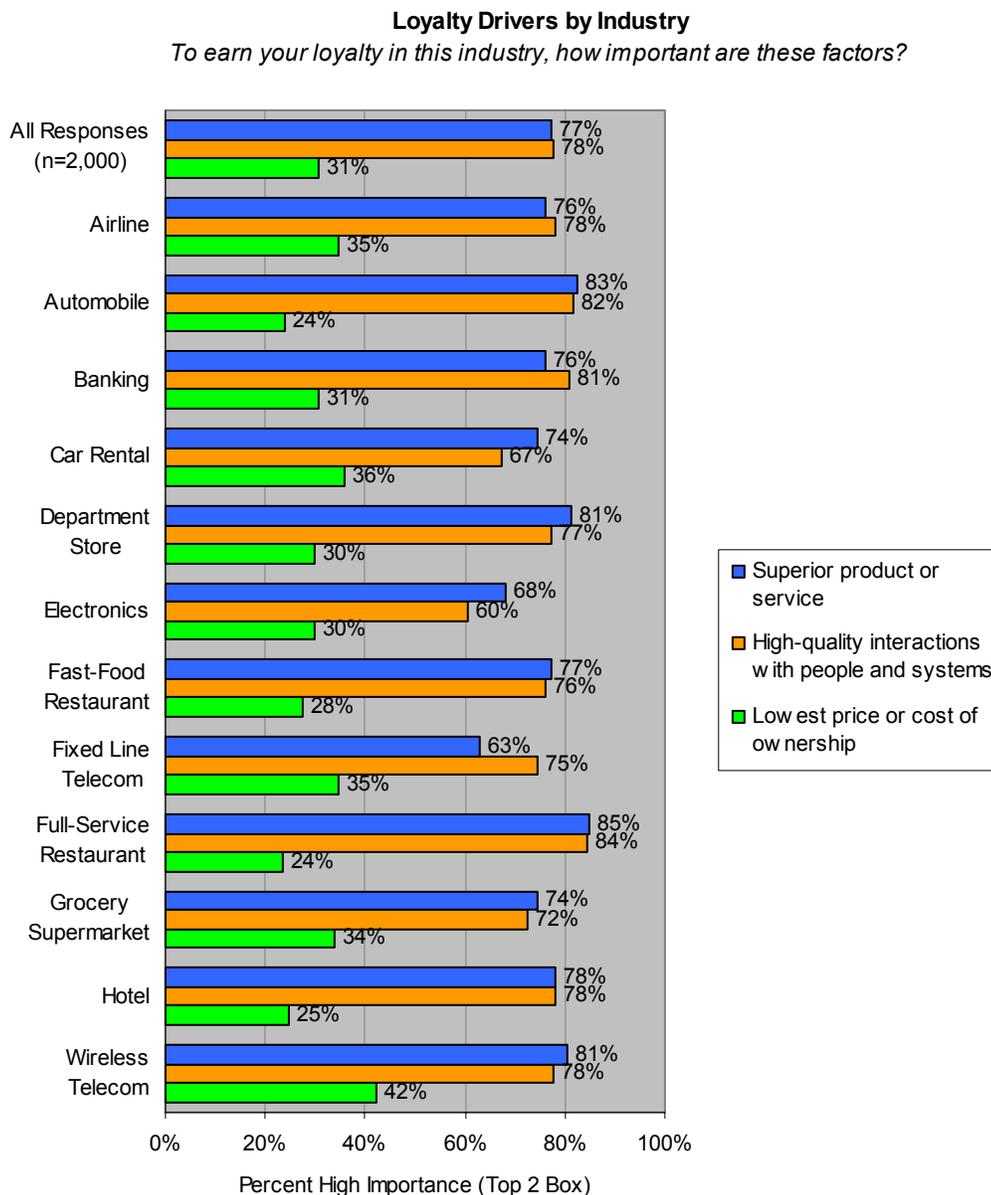
Whether you're a fan of the latest TLA or not, what you should take away from CEM is the imperative to find out how experiences drive the customer to—or, heaven forbid, from—your business, service or product. Then use that knowledge to build an emotional attachment between the customer and your brand. A relationship, even.

How Important Are Experiences to Your Customer?

Customer Experience Management is a method of increasing customer loyalty, a daunting task as more products and services become commodities in today's global economy. Loyalty can increase your bottom line, because loyal customers buy more, stick around longer and refer others.

Not surprisingly, CEM proponents claim it will help turn customers into "raving fans" or advocates. Like members of the Harley-Davidson Owners Group (who call themselves, appropriately, HOGs), people who are so passionate about your product or service that they get tattooed with your logos.

In CRMGuru's April 2006 online survey, more than 600 respondents gave 2,000 industry ratings based on their own experiences. We asked respondents to rate the importance of three factors in earning their loyalty, using a seven-point scale. Across 12 industries, nearly 80 percent of respondents give "high-quality interactions" and "superior product or service" high importance ratings (Top 2 Box). "Lowest price or cost of ownership" received only 31 percent of high importance ratings.

Loyalty Drivers by Industry
To earn your loyalty in this industry, how important are these factors?

Industry	Superior product or service	High-quality interactions with people and systems	Lowest price or cost of ownership
All Responses (n=2,000)	77%	78%	31%
Airline	76%	78%	35%
Automobile	83%	82%	24%
Banking	76%	81%	31%
Car Rental	74%	67%	36%
Department Store	81%	77%	30%
Electronics	68%	60%	30%
Fast-Food Restaurant	77%	76%	28%
Fixed Line Telecom	63%	75%	35%
Full-Service Restaurant	85%	84%	24%
Grocery Supermarket	74%	72%	34%
Hotel	78%	78%	25%
Wireless Telecom	81%	78%	42%

Percent High Importance (Top 2 Box)

As you might expect, there were differences between industries.

Banking and fixed-line telecom customers rated interactions higher than product or price. In banking, of course, the main product is money—the perfect commodity. As many telephone customers are locked into service and pricing, company interactions rise in importance. It's not clear how one can be truly "loyal" to a monopoly, however.

Not surprisingly, customers of full-service restaurants rated both the product (food) and interactions highly, and price was tied for the lowest importance. Automobile customers provided quite similar ratings. Wireless customers rated price the most important of all industries, but product/service and interactions were also average or higher.

One surprise: electronics. All three dimensions were scored lower than average. Possibly, this simply means that it's harder to earn gizmo shoppers' loyalty, no matter what the manufacturer does. Barnes says that, since the customers' principal contact is with the product, they are "most likely to define experiences as involving some form of contact with people."

High-Quality Interactions Drive Loyalty

These findings suggest that companies should not lose focus on providing competitive products or services. But winning the hearts and wallets of customers requires equal attention to the quality of interactions between a company and its customers.

This may be obvious in service-intensive industries like airlines or financial services, but as noted earlier, even customers of product-focused industries like electronics place significant value on interactions.

Customer Experience Industry Trends

Globalization and the Internet have created an abundance of goods and services, and it has become increasingly difficult to differentiate based on the core offering (functional capabilities) or price. An IBM study in 2005 revealed that, "to create a new and lasting source of competitive advantage, businesses must manage the customer experience."

> Is CEM worth the effort? Author Smith and Joe Wheeler, who co-wrote *Managing the Customer Experience* (2002, FT Prentice Hall), think so. They cite a 2000 study by Accenture and Montgomery, which found that "if a $1 billion enterprise increased its investment in customer interactions from average to high, it could anticipate a $42 million return on investment. They concluded that 'superior relationship management is worth half your bottom line.'"

Customer Experience Management is valuable in any industry—and in both business-to-business and business-to-consumer relationships. Shaw and Ivens of Beyond Philosophy cite their own research, which found that "85 percent of senior business leaders agree that differentiating solely on the traditional physical elements such as price, delivery and lead times is no longer a sustainable business strategy."

That's why tuning in to the customer experience is so important. Unhappy customers can bolt to a competitor—or simply stop using a service. All it takes is a computer browser set to any of the complaints sites on the World Wide Web to see the true story of how easy it is to irritate and lose a customer.
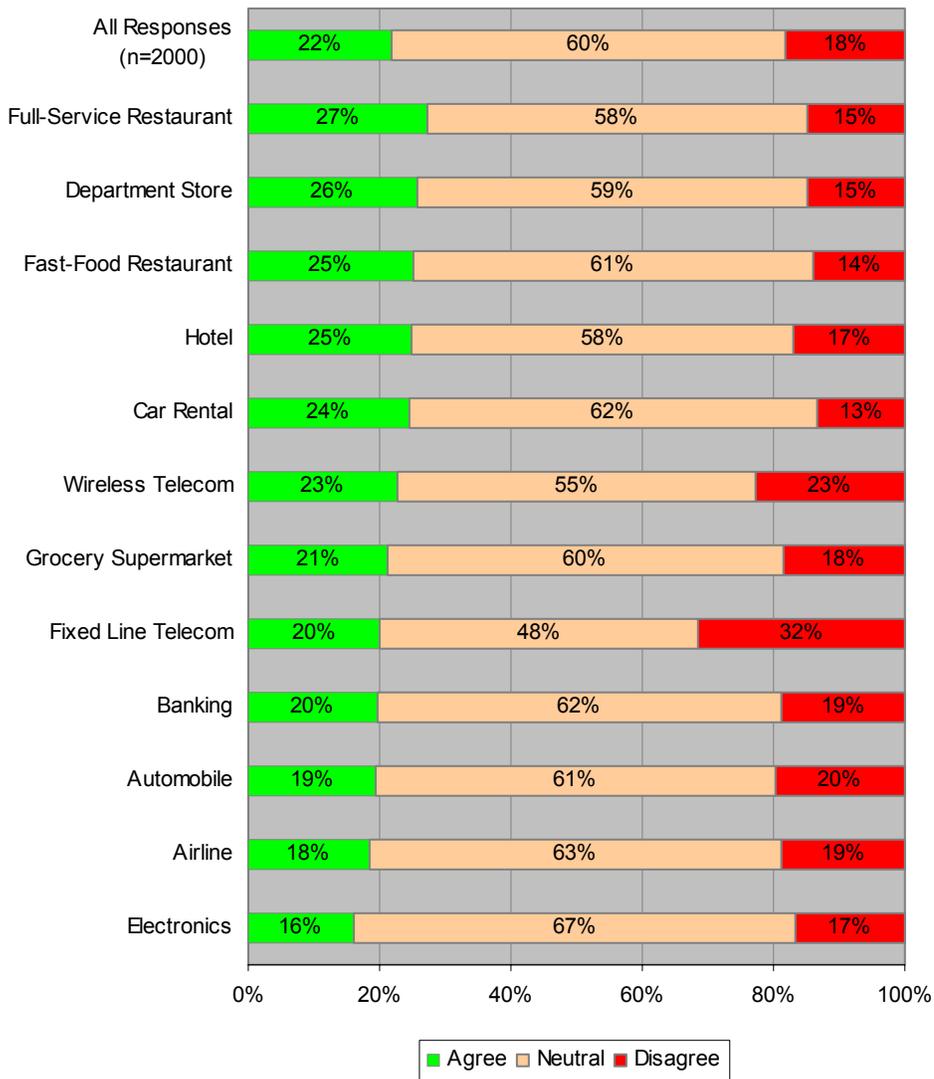
"Because of one rude person you have put in charge, you no longer get that weekly cut out of my check, but you also have lost a very loyal customer who did ALL of their shopping, fueling and video rentals" complained one person on www.complaints.com about a grocery store she used to patronize. Now angry, she was willing to pay more money to pump gas from the more expensive station across the street and travel farther from home for her groceries and videos.

How are companies doing today? In CRMGuru's survey, only 22 percent of respondents agreed that companies "currently provide an excellent customer experience." As you can see, more than half of respondents had no strong opinion one way or the other, and 18 percent had a negative response.

Full-service restaurants got the highest positive ratings and one of the lowest negative ratings. At the other end of the spectrum, fixed-line telephone companies earned the highest negative rating at 32 percent, perhaps an indication of the lack of competition in this industry.

Electronics companies had the lowest positive rating, and the long-suffering airline industry fared only slightly better.

Currently Provide an Excellent Customer Experience?

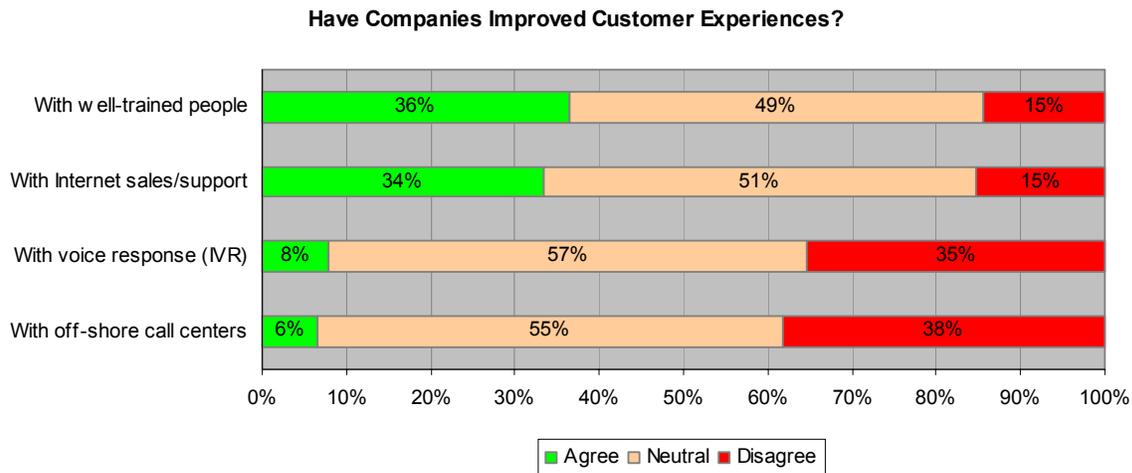| Category	Agree	Neutral	Disagree
All Responses (n=2000)	22%	60%	18%
Full-Service Restaurant	27%	58%	15%
Department Store	26%	59%	15%
Fast-Food Restaurant	25%	61%	14%
Hotel	25%	58%	17%
Car Rental	24%	62%	13%
Wireless Telecom	23%	55%	23%
Grocery Supermarket	21%	60%	18%
Fixed Line Telecom	20%	48%	32%
Banking	20%	62%	19%
Automobile	19%	61%	20%
Airline	18%	63%	19%
Electronics	16%	67%	17%

Experience and Cost Conundrum

Over the past decade, business executives have been cutting costs with automation, off-shoring and, of course, the Internet. In recent years, as the economy has improved, attention has turned back to revenue growth and building loyalty—hence, the current interest in customer experiences.

The problem is that some of these strategies may be in conflict—at least, in terms of how they are executed and perceived by customers. We asked CRMGuru survey respondents to rate their agreement on whether, based on their own personal experiences, they believed that employee training, Internet sales/support, off-shoring and Interactive Voice Response (IVR) had improved customer experiences.

Their reactions were dramatically different. As you can see in the chart below, customers believe that "well-trained people" and "Internet sales/support" have had a positive impact a bit more than one-third of the time. Only 15 percent had a negative outlook.

Have Companies Improved Customer Experiences?

Category	Agree	Neutral	Disagree
With well-trained people	36%	49%	15%
With Internet sales/support	34%	51%	15%
With voice response (IVR)	8%	57%	35%
With off-shore call centers	6%	55%	38%

■ Agree ■ Neutral ■ Disagree

However, a significant number of respondents said off-shore call centers (38 percent) and IVR (35 percent) had *adversely* affected their experiences. Although some companies attempt to spin these initiatives as attempts "to serve you better," it's clear that most customers don't see it that way.

A backlash against "IVR hell" led to the launch of GetHuman.com, where consumers rate service quality, record their hold times and can find the shortcuts to bypass the phone menu and get directly to a human being at many of the top American companies. One major bank in the United States is running humorous TV ads touting its ability to enable customers to actually talk to a real person. Imagine that!

The off-shoring issue is more complex. To be fair, it's not clear whether customers would be willing to pay more for experiences that did not include an off-shore call center. In this respect, it's "damned if you do and damned if you don't" for companies that attempt to cut costs but can't do so without some change in quality of service, even if the "quality" is a perception based on a different accent. Customers want lower-cost goods and services, hence the rise in Wal-Mart and other discounters, but don't always like the trade-off when it affects local jobs or service quality.

Some companies are taking a more cautious approach to off-shoring, worried that cost savings may be offset by customer experience deterioration. Dell, for example, decided in 2004 to bring back to the United States some of its call-center operations, after concerns surfaced about service quality.

Emotions Make Experiences Memorable

Some experts say that CEM is all about creating an exemplary experience, what many call "customer delight" or a "wow" experience.

Carlzon, the former Scandinavian Airlines CEO, in an *Inside Scoop* interview for CRMGuru tells the story of the tour operating company in which he began his career. The company liked to surprise customers by putting baskets of fruit or a bottle of wine and a hand-written card in guests' rooms at their travel destinations. "Everybody got extremely happy, because nobody expected it and they all thought it was a kind of individual service to them," Carlzon said.

The value of booking for the tour company increased because of the guests' perception that they were getting something special. Unfortunately, an enterprising advertising manager burst the balloon by amending the company's brochures to tell people they would be getting a "surprise" of a bottle of wine in the room. Setting this expectation eliminated the surprise and, worse, turned the positive experience into a negative one when the gift was forgotten.

Emotional Glue

Without emotion, we wouldn't remember much of anything. Think about your strongest memories. They probably include either very pleasant or awful experiences. The same goes with customer experiences.

In CRMGuru's online survey, we asked respondent for input on a recent "memorable" experience. It might be surprising to learn that it doesn't take a lot to please or annoy customers. Sure, when your people go the extra mile for customers, they're very impressed. But often, customers just want to get what they ordered and to be treated decently. Amazon.com's most popular link is "Where's My Stuff?" One happy online shopper put it this way: "Amazon is easy. A child could use it. Online ordering is practically two clicks."

Earlier, we stated that the "quality of service/support processes" was ranked fourth out of five activities in earning a customer's loyalty. Yet, when we asked respondents for input on a recent "memorable" experience, 35 percent of the responses included service and support activities. Sales activities (15 percent), purchasing process (19 percent) and use of product/service (20 percent) ranked lower. Clearly, how a problem is resolved creates a strong emotion and lasting impression.

For highly loyal customers ("promoters"), approximately 80 percent to 90 percent of respondents said a memorable experience left them feeling positive emotions like "pleased," "comfortable" and "appreciated. Customers with little loyalty ("detractors") felt "frustrated," "let down" and "angry."

Emotions After Memorable Experience
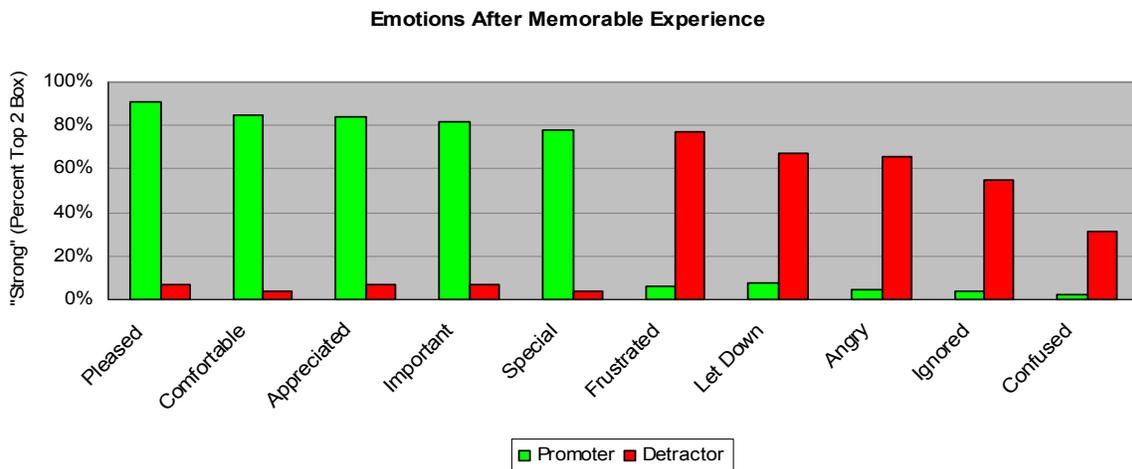
Little Things Matter

Exceeding expectations may not be the right goal for companies that don't get the basics right. In some cases, the customer experience can improve, not because of a pleasant surprise but for the lack of negative one. Naras Eechambadi, CEO of marketing performance management company Quaero, says that paying attention to the experience the customer has with your firm is "not about customer delight all the time." It's about making promises and sticking to it: "There is a place for wow. But consistency is more important," he said.

One survey respondent raved that Commerce Bank had a toll-free phone contact that was "nearly instantaneous"; it was answered on the "FIRST ring by a real, live, knowledgeable human being." And the question was answered in less than two minutes. Not exactly a "wow" experience, you might say, but the fact that the business handled it well nearly floored this customer.

And that's not all. People who experienced trouble with a product or service were also thrilled by a business handling the problem well. For example, a grocery shopper discovered that a can of chili peppers was less than half full. "I returned it to the market, where they immediately replaced it, and when I left, an employee was shaking cans to see if they were less than full so that others would not have my problem." You would think the customer would be upset about getting a partial can of chilis. Instead, the market impressed the customer in how its employee was thinking of *other people*.

Of course, they're also pleased when businesses exceed their expectations. One person wrote in about Alaska Airlines, which gave every passenger a $50 coupon to "a very nice restaurant in my local area." The customer was pleased not only by the coupon but also by the fact that there were no restrictions or early expiration. "To my delight, they were good for one year, and there were no catches!"

Another person was surprised to be met at the door by Hilton Hotel employees in Fort Wayne, Indiana, and then escorted to a get-acquainted reception at the restaurant, along with dinner on the house that night and breakfast on the house in the morning. It was Hilton's way of "just doing a little customer appreciation for my frequent stays." Ebay.com noticed a mistake in an order and notified the customer. "They were right. They sent me a very polite email asking if I meant to order two," reported the happy person, who had wanted only one item.

Lack of Common Courtesy

Alternatively, judging from the complaints people registered in the survey, all it takes to earn a customer's disapproval is a lack of common courtesy or inattention to details you might expect businesses to take for granted. Some fast-food restaurants, for instance, were dinged for poor quality food and dirty seating areas. When the HBO signal went out the night of the season premiere for the TV series *The Sopranos*, a cable company operator wouldn't offer a credit. "The person just didn't care," the survey-taker wrote.

And customers know lip service when they experience it. One person wrote about a transaction that went terribly wrong at an investment firm. The people were friendly, but the customer wound up on the phone for an hour, transferred four times and put off for more than a month without resolution. "They think that pleasant service people that ask if there's anything else they can do to help you—even though they usually can't answer your question or solve your problem—means they have good service."
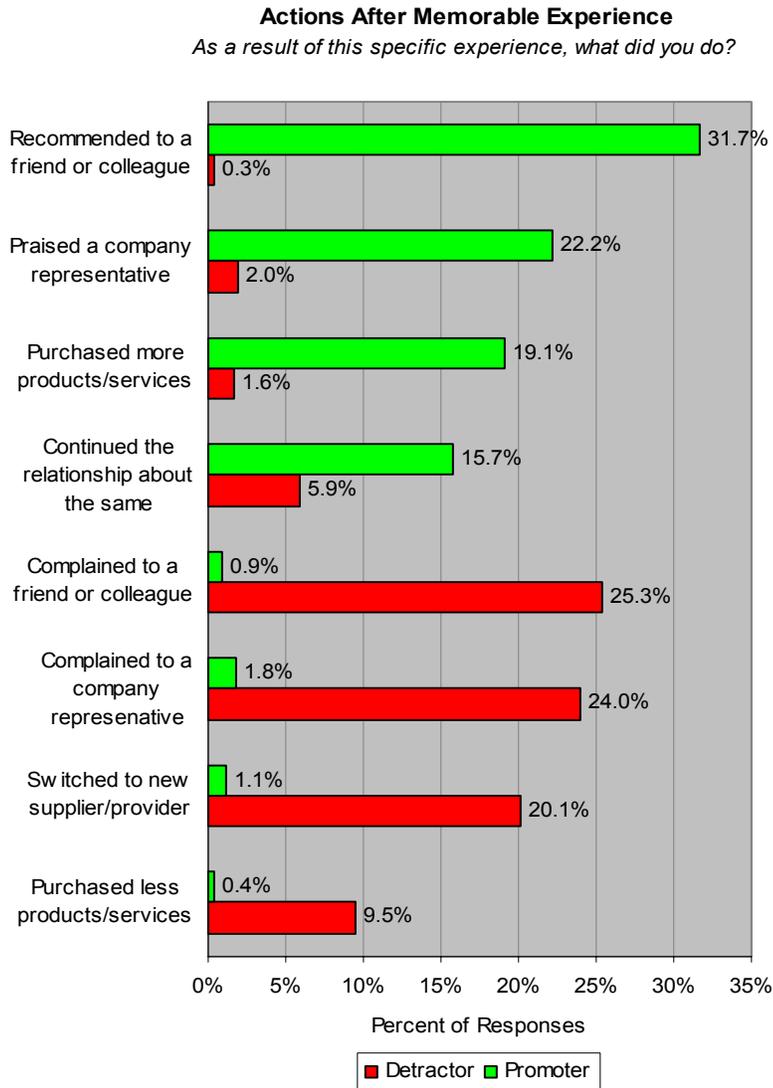
Promoters and Detractors

After a customer has a memorable interaction, what happens next?

As you can see from the chart below, loyal customers ("promoters") said they recommended the business to a friend or colleague nearly one-third of the time. That's powerful evidence that the likelihood to recommend ("promoters" give loyalty scores of 9 or 10 on a scale of 0 to 10) does lead to actual recommendations. Other customer activities that increase customer value to the company include purchasing more products and services and continuing the relationship.

Conversely, "detractors" (0 to 6 on the 10-point scale) complained to a friend or colleague 25 percent of the time, complained to the company nearly as often and switched suppliers 20 percent of the time. After *one* experience! Imagine how customers might defect or complain to others if a company has a pattern of bad experiences.

Note that the company gets direct customer feedback only 22 percent of the time after a positive experience and 24 percent of the time after a negative one. Given the severe repercussions of a bad experience, companies need other proactive ways to identify the 76 percent who may complain to others or reduce their business without any warning.

Actions After Memorable Experience
As a result of this specific experience, what did you do?

Action	Promoter	Detractor
Recommended to a friend or colleague	31.7%	0.3%
Praised a company representative	22.2%	2.0%
Purchased more products/services	19.1%	1.6%
Continued the relationship about the same	15.7%	5.9%
Complained to a friend or colleague	0.9%	25.3%
Complained to a company represenative	1.8%	24.0%
Switched to new supplier/provider	1.1%	20.1%
Purchased less products/services	0.4%	9.5%

Percent of Responses

Detractor   Promoter

Getting It Right at "Moments of Truth"

Part of the value in *your* specific product or service comes in the experience you create. Coffee is coffee is coffee, except when it's Starbucks coffee. "Whether it was a planned or sort of a random discovery early on in their experience as a business, they figured out that it's really not about selling coffee to customers," said HP's Armstrong. "Starbucks is selling more than beverages; it's the total experience at a Starbucks outlet: buying, drinking, getting online, etc."

People who participated in CRMGuru's survey on customer experience were passionate about companies that served them well or poorly. We received more than 1,400 write-in responses about specific companies that provided "consistently excellent" or "consistently poor" customer experiences.

In this section, we'll discuss the Big Five attributes that set apart the top performing companies. Attributes were determined by analyzing frequently-mentioned terms and their synonyms and grouping them into meaningful phrases.

1. Well-trained and Helpful Employees

If you're interested in delivering an excellent customer experience, start by ensuring your employees are well-trained and genuinely helpful. Training gives the means, but being helpful is in large part an attitude—as we learned from our survey-takers.

For example, a Best Buy (electronics retailer) customer said, "When we go in, someone is always there to greet us and direct us to the correct area. Their salespersons seem to be well trained in their particular field. We have had nothing but good experiences with them."

Marriott received several positive comments from travelers who noted the hotel chain's "pleasant and helpful staff," "selection, training and management of employees" and "friendly and well-trained staff ready and willing to support travelers (whether for business or for leisure)."

One car shopper was impressed that "Saturn employees are well-trained on the various models and are willing to talk with me at length about which model best fits my needs. They are willing to show me aspects of a particular sales model even when they know I am not currently looking for a new car."

**Attributes of Companies Providing
"Consistently Excellent" Customer Experiences**

Percent of Mentions
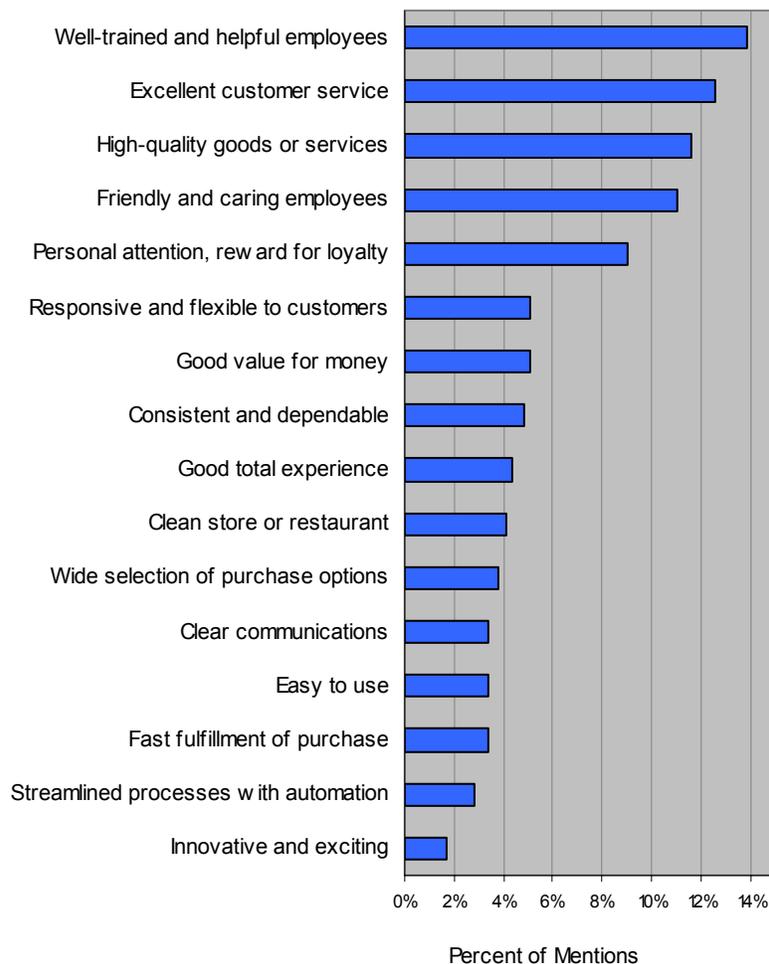
2. Excellent Customer Service

A significant number of responses simply said that customer service was "excellent," or words to that effect, making it the No. 2 attribute of the top companies. A passenger of a U.S. regional airline Midwest Express illustrated how service can offset a "product" limitation: "They offer limited flights, but the service on them is always excellent. They go above the norm by giving out freshly baked cookies!" American Airlines, although "not always perfect" according to one 20-year frequent flyer, "consistently focuses on the core things necessary to provide an excellent service."

In financial services, you can feel the value of good communications when you note that ING Direct was praised for "great customer service by phone (don't feel you're sent offshore), excellent communications—keeps it simple, easy to understand." In restaurants, however, service is hard to separate from the quality of food, as this comment about Bonefish Grill illustrates: "Personable, attentive people (interact with their customers on a more personal level); consistently excellent product with seasonal variations."

3. High-Quality Goods and Services

Smiling and helpful employees will take you only so far. You'd better be able to deliver the goods…or, as the case may be, services, that customers want. And don't think you'll be able to sacrifice quality for price, because the leading companies don't.

The meaning of "high-quality" varies by industry. As you might expect, the quality of food was a key factor in grocery supermarkets and restaurants. In the United States, specialty grocery retailer Trader Joe's earned kudos from one shopper for "high-quality products at low prices" and from another for "reliable quality produce and nice selection of products." One Subway (sandwich specialty restaurant) patron liked the "quality and range of products."

Car drivers have a different view of quality, naturally. Toyota received comments regarding its "great quality products and associated warranties" and because it "delivers on its promise of quality product and service." Another survey-taker said that Acura offered "superior quality product out of the gate."

4. Friendly and Caring Employees

It pays to be nice! "Friendly" was one of the most commonly mentioned words in survey responses. Customers liked pleasant interactions with employees who genuinely cared about doing their job well.

In our survey, no other company was rated friendlier than Southwest, a popular low-cost airline in the U.S. "They match expectations with reality—their people are friendlier," gushed one happy passenger. Another lauded "friendly, personable employees who take time to connect with passengers," and another observed that the airline "hires friendly and helpful people."

Starbucks, the company that redefined coffee from a product to a service, was recognized for "friendly and helpful service" by employees that "go out of their way to serve." A customer of Enterprise Rent-A-Car, another service-obsessed company, appreciated "very friendly, accommodating staff."

5. Personal Attention, Reward for Loyalty

Our final "Big Five" attribute is about recognizing top customers personally. A First Citizens Bank customer said, for example, "This bank treats me with respect, as an individual. They got to know me personally as soon as I opened the accounts and are always pleasant and helpful when I transact business with them. I can pick up the phone and call the person who opened my accounts any time."

Marriott was praised by several customers who noted the company's "personal touch." One said, "I am a person to this hotel chain. On repeat visits, I am recognized and treated personally." Others noted that they appreciated Marriott's rewards program, which recognized their loyalty in a tangible way.

Living Your Brand

Imagine if your company were the Starbucks in its field, with all your customers devoted advocates, recommending your business to others. It's not so far-fetched. The steps to managing the customer experience are at every business's disposal.

But before you start the CEM journey, take note of the findings of the CRMGuru study. Start by truly understanding how customers perceive the value your brand provides and what will earn their loyalty. That's why this paper was devoted to the customer's perspective.

Walk a mile in the shoes of your customers, along every step of their interactions with your organization, products and services. How do customers first hear about your company? How do they respond emotionally to sales and service interactions? Are you offering the *right* touch-points and methods of interactions or forcing customers to the lowest cost?

Keep in mind that problems are opportunities to build relationships and true loyalty. Are your employees perceived to be "well trained and helpful," like those of customer experience industry leaders? Can they provide the human touch when it's needed? Are they empowered to take action immediately? Technology can be part of the answer, but you can't rely on systems to make the human connection.

In an upcoming paper, we'll discuss Customer Experience Management from the enterprise point of view. We'll look at methods for identifying the customer's current experience, setting goals for the ideal experience and getting from here to there. We'll look at how you can tailor that experience to your business—and your customers—in a way that will help you stand out in a global market and reap the rewards of customer loyalty.

Until then, take the CEM litmus test: Would you like your current customer experiences turned into a tagline and plastered all over your firm's marketing material? It's happening already in your customer's mind. Experiences increasingly define what your brand *really* is, not what you tell your customers it is through marketing or sales communications.

Above all, let great experiences bring your brand to life in the hearts, not just the minds, of your customers. That human and emotional customer connection is a key part of the journey toward truly loyal relationships. Enjoy the trip!

About the Research and Author

Acknowledgments

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Authors of leading CEM books were also gracious with their time and input, including Jan Carlzon (author of *Moments of Truth*), Bernd Schmitt (author of *Customer Experience Management* and *Experiential Marketing)* and Shaun Smith (co-author of *Managing the Customer Experience*). The "memorable experience" section was facilitated with Jim Barnes' list of 10 common customer emotions and Fred Reichheld's loyalty scale for "promoters" and "detractors."

RightNow Technologies is sincerely thanked for its generous sponsorship of CRMGuru research. Last but not least, CRMGuru Managing Editor Gwynne Young served as research assistant, writer and editor to help separate the "wheat" from the "chaff," resulting in a much more useful and readable paper.

Methodology

The statistical information in this paper was collected via a CRMGuru online survey in April 2006. More than 600 respondents gave 2,000 ratings on companies in 12 industries. "Memorable experience" input on specific companies was collected from 440 individuals.

The CRMGuru community is diverse, with approximately 75 percent in customer-oriented jobs in marketing, sales or customer service functions. Respondents were generally well-educated and ranged from 20 to 60 years old, slightly skewed toward male (55 percent), with about half from the United States and Canada, 30 percent from EMEA and the balance from Asia Pacific countries.

From prior experience, we know this audience has a bias toward customer-centric thinking and high quality. Therefore, we have found that customer input is by and large more critical than the general population. Conclusions may not be valid outside the 12 industries analyzed or in developing markets.

About the Author

Bob Thompson is CEO of CustomerThink Corp., an independent Customer Management research and publishing firm. He is also founder of CRMGuru.com, the world's largest industry portal dedicated to helping business leaders improve customer management success.

Since 1998, Thompson has researched the leading industry trends, including partner relationship management, customer value networks and customer experience management. In January 2000, he launched CRMGuru.com, which now serves 300,000 business leaders monthly through its web site and email newsletters. Thompson is co-author of *Blueprint to CRM Success*, has written numerous articles for leading business and IT publications and is a popular keynote speaker at conferences worldwide.

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