

Competitive Advantage Through The Customer Experience

by Bernd Schmitt, CEO

Customers are every company's most valuable asset. Now more than ever, companies need to retain existing customers and to attract new ones in order to survive and grow.

Companies of all kinds claim to recognize that their customers are important. But what kind of experience are they providing for customers with their products, their services, their communications, and their interactions? How are customers really being treated? The answer is often "badly," despite all the protestations to the contrary. Think of waiting in lines in supermarkets or on the phone. Think of products that are perfect for someone else's lifestyle or work environment, but never yours. Think of unusable web sites, uninspiring ad campaigns, or unresponsive customer service.

But not all companies provide poor experiences for their customers. Some companies deliver a great experience, and that gives them a great competitive advantage. These companies have a real understanding of the customer perspective and use that to provide service, products, and communications that are relevant to the customer's lifestyle and deliver a consistent experience. Let's take a brief look at three companies that have revamped the customer experience in their industry.

Singapore Airlines focuses on delivering an extraordinary experience—"a great way to fly"—through outstanding service. The company has thought through every step of the customer experience, even in economy class. When customers make their reservations, they are met by a friendly and competent reservation agent. The check-in procedure is fast and efficient. Entering the plane, each passenger is greeted with a warm and natural smile; one of the flight attendants walks the passenger to the seat; at the seat there is an amenities box; during the flight the attendants are attentive; and so on and on.

For a great "fast food" experience, go to Starbucks. Of course, it's not called "fast food." In fact, the service may even be a little slow. That's all part of the experience. This "Third Space" between home and office provides an outstanding customer experience through its comfortable and well-designed stores and its innovative product line.

How about on-line ordering? Amazon.com provides a marvelous online shopping experience. The site has the right look and feel, as well as an amazing interface. What's more, Amazon.com is continuously improving on the experience it provides.

If Singapore Airlines, Starbucks, and Amazon.com can succeed, why can't other companies take the customer experience more seriously? In my opinion, bad treatment of customers is not just a matter of the incidental failure of one particular aspect of customer management. It's not just that the web site is poorly set up, or that the person at the call center had a bad day, or that this particular model of the product has a glitch. In many cases, these failures are symptomatic of a broader problem in the organization: they have been relying on sales, marketing and management approaches that present themselves as "customer focused" but are, in fact, focused internally on the company's operations.

What these companies and their management need are management tools that truly focus on the customer experience at every touch point. Customer Experience Management is

that approach. To put it simply, Customer Experience Management, or CEM, is the process of strategically managing a customer's entire experience with a product or a company.

The CEM framework is made up of five basic steps:

1. Analyzing the experiential world of the customer
2. Building the experiential platform
3. Designing the brand experience
4. Structuring the customer interface
5. Engaging in continuous innovation

The first step of the CEM framework, "Analyzing the Experiential World of the Customer," provides original insight into the customer's world. For consumer markets, this comes from analyzing the socio-cultural context in which consumers operate: their experiential needs, wants, lifestyles and desires. For business-to-business (B2B) markets, this means analyzing the business context, including desired solutions and business requirements that impact the experience of a business customer.

Step 1 requires original research. In a project that I conducted for Carnegie Hall, one of the most renowned concert halls in the world, located in New York, the objective was to provide a complete understanding of the actual concert-going experience. Beyond the music, what else do customers notice and experience when they go to a concert? How do they feel when they enter the building? Line up for tickets? What is their impression of the hall, the acoustics, the audience, the lighting, the written program materials? What do they do during the intermission? How does the Carnegie Hall brand come to life at all these different touch points? To find out, we went to several concerts with visitors and asked them these questions, and many more, in the context of an actual concert-going experience.

Step 2, "Building The Experiential Platform," is the key connection point between strategy and implementation. This is not a cut-and-dried positioning statement or a two-dimensional perceptual map. Instead, the experiential platform includes a dynamic, multi-sensory, multi-dimensional depiction of the desired experience (referred to as the "experiential positioning") and a specification of the experiential value ("the experiential value promise") that the customer can expect from the product or service.

Consider Puma, the German athletic shoe maker that has delivered amazing financial results in 2002. Puma declares that it wants to be a "brand that mixes the influences of sports, lifestyle and fashion." Puma "makes products designed to... evoke the most passionate responses." Note how Puma's positioning is quite different from those of Nike ("performance") and other competitors. To deliver on this experiential platform, Puma has collaborated with Xuly Bet, AEROSPACE, German fashion designer Jil Sander and, recently, Japanese designer Yasuhiro Mihara. The shoes, which are available at high-end boutiques and department stores in the U.K., France, Germany, Italy, Japan, and the U.S. are low-profile, fitness-inspired shoes in several colors: "gray/camel," "wine/purple," "yellow/apricot," "violet/tan," for example.

After management has built the experiential platform, the platform must be implemented in three more steps. Step 3, "Designing The Brand Experience," includes the quality and design of a product that delivers the experiential (Puma's shoe designs and colors). The brand experience also includes the "look and feel" of packaging and retail spaces, and the experience of advertising and communications. Step 4, "Structuring The Customer Interface," includes all sorts of dynamic exchanges and contact points with the customer, whether they happen face-to-face in a store, during a sales visit in a client's office, at an

automatic teller machine at a bank, at the check-in counter of a hotel, or as part of e-commerce on the internet. Finally, in step 5, the experiential platform must be reflected in a company's innovations – a process I call "Engaging in Continuous Innovation."

A great example of an attractive brand experience, customer interface and ongoing innovation is Pret A Manger, the UK-based sandwich company. The company was founded by Julian Metcalfe and Sinclair Beecham, two London City workers who were dismayed by the lack of fresh lunch fare available in their area. Today there are more than a hundred stores in the UK, several in Hong Kong, a dozen in New York and plans are underway to expand globally. McDonald's recently acquired a 33% share of the company, with a promise not to interfere in what makes the company unique. The Pret A Manger brand is about great-tasting, handmade, natural products served by amazing people who are passionate about their work. The sandwiches and the stores look appealing and attractive. The company hires only 5% of those who apply and only after they have worked for a day in a shop. This process ensures good fit and good teamwork. An array of employee benefits—including incentive rewards, pay raises, company parties, and others—helps ensure the loyalty and happiness of the staff.

The CEM framework can be used to address a variety of core marketing issues. For instance, many companies view segmentation from the perspective of the company and its products (segmenting by features, price, or distribution channel, for example). The CEM framework approaches segmentation and targeting very differently, by starting with research tools that reveal meaningful data from the customer's perspective, and using these to develop a customer-focused segmentation scheme.

Another key issue for companies is how to position the corporation, its brands, and its products. For that purpose, many companies commission perceptual maps—usually based solely on verbal input and unrepresentative of customers' real experiences. Just ask yourself how much insight and guidance for implementation you can derive from the typical two- or three-dimensional perceptual maps with the dimensions labeled "high price – low price," or "high quality – low quality," or "strong image – weak image". As we have seen in the case of Puma, an experiential positioning is richer and more imagery- and sensory-driven and thus can be easily used to guide implementations in packaging, advertising, the customer interface and innovations.

Moreover, many branding issues are not a problem of the logo or the advertising. Most branding issues are *brand experience* issues. To address these issues effectively requires more than policing of corporate identity standards or soul-searching about the company's values and the meaning of its brands. What is needed is, first, an original understanding of the customer's experiential world and, second, the creation of a differentiated strategy platform that can be implemented in an innovative fashion. Great brands are the result of great, and consistent, customer experiences.

In sum, what attracts customers to any company and sustains their loyalty to its products, services, and brands, is the customer experience. That experience encompasses products, service, communications, and every interaction the customer has with the company.

The CEM framework is a unique marketing and management approach that allows companies to conceive, manage, and integrate an extraordinary customer experience. Its methodologies address core marketing issues such as branding, segmentation, positioning, and service. Its five-step framework provides an understanding of the customer's own context, needs, lifestyle and desires, and delivers a relevant, valuable, and consistent experience at every touch point. The result is a customer experience that can be the key to competitive advantage and growth for any company.