01
The new imperative: deliver a superior customer experience

Make no mistake, the customer is now King – or Queen. And customers don't hesitate to exercise their 'Royal' prerogative…

Faced with a massive choice of suppliers for any type of product or service, customers will invariably look for the very best experience. Time and again, they will select the supplier that makes their purchase easy, enjoyable and personally rewarding. And there's plenty of evidence to prove that customers will pay a premium for an altogether superior experience – why else will people happily pay an inflated price for coffee served up by some trendy barista rather than settle for a less salubrious café or home brew?

What's more, companies that invest in a superior customer experience reap rich dividends –here's the evidence…They:

- Report customer satisfaction scores that are 60% higher than the norm
- Are 30% more likely to have attrition rates of 5% or less
- Enjoy referral rates that are twice as high as the average.

All of these factors are certain to have a very positive impact on top and bottom line performances. However, the reverse holds equally true. When companies fail to provide an outstanding experience, customer reaction is swift and often very painful. They not only vote with their feet – or more accurately their fingers on a mobile keypad – they also share their poor experience with a very savvy global audience…

- Dissatisfied customers are far more vocal than satisfied customers
- Before the internet era, people would (on average) tell 2-4 times more people about a bad experience than a good one. With the advent of social networking, bad experiences can be shared with millions of people. Virtually overnight a company's brand reputation and even their share price can be devastated…

For example, when Dave Carroll – a passenger on a United Airlines' (UA) flight – had his precious Taylor guitar destroyed by baggage handlers, in front of his very eyes, the mishap turned into a corporate disaster. When UA repeatedly declined to reimburse Carroll for the damage, the musician responded by writing a song that shredded the airline's brand and customer service credibility. As the Huffington Post reported: 'It was funny, justified and smart.'

Even more importantly, as the song went viral, UA's shares went into spiral…

" …within four days of the song going online, the gathering thunderclouds of bad PR caused United Airlines' stock price to suffer a mid-flight stall, and it plunged by 10 per cent, costing shareholders $180 million. Which, incidentally, would have bought Carroll more than 51,000 replacement guitars."
The Times online

Some companies are tempted to compete on price alone. But that, too, is a bankrupt strategy. Attempting to buy customer loyalty by under-cutting competitors, inevitably triggers an unsustainable price war. It reduces companies to the status of commoditised traders with no true brand distinctions or differentiations. And with nothing tangible to hold customer loyalty, cost-cutting companies are acutely vulnerable. As Tesco discovered to their cost, their folksy slogan 'Every little helps' did nothing to halt the exodus of customers to Aldi and Lidl.

So how do companies develop an enduring bond with customers? Well, many launch straight into research with a battery of focus groups and customer surveys. It's a laudable attempt to understand their customers' needs, values and expectations… but it's often misguided and misleading.

As Ed Miliband recently discovered, even the most respected opinion polls can get it very wrong!

But, of course, there is a simpler and much more precise way to understand customers. A solution that doesn't rely on surveys and focus groups. Social media dispenses with sampling audiences to reveal the real, instant and (often bluntly) honest customer insights...

There are expert firms, within the Clustre innovation community, that have turned social media monitoring into an instantly-actionable science. Their global clients can not only track all relevant tweets and comments but also react in real-time to any potential issues. It's a quantum improvement on conventional research techniques – but it's still only half the story. Because there is one critical group of stakeholders that many companies overlook...

If you really want to improve your customer experience and exceed their expectations, you better start by engaging with your employees.

02
A great Customer Experience starts with great Employee Engagement

"Everyone talks about building a relationship with your customer. I think you build one with your employees first."

Angela Ahrendts

How can you hope to build a great customer relationship if your employees are not happy, empowered and engaged? Your own people are your primary building block for customer satisfaction. This is certainly the opinion of Angela Ahrendts the former CEO of Burberry and now the senior executive with Apple Corp responsible for all Apple stores around the world.

According to a KPMG report entitled: 'The real value of engaged employees', those companies with a high degree of employee engagement recorded the following benefits:

• 70% of their staff indicated that they had a good understanding of how to meet customer needs (that percentage plunged to 17% in companies with low engagement)
• 78% of their staff would recommend their company's products or services (versus 13% in low engagement companies)
• 19.2% increase in operating income over the study period (versus a 32.7% decline in those companies with low engagement).

The differences quoted above are so striking that you would think that no-one could doubt the importance of building employee engagement. But think again...

The Harvard Business Review (HBR) recently published a study entitled: 'The Impact of Employee Engagement on Performance'. It showed that, whilst most leaders understood the importance of engagement, 75% of senior executives in the survey admitted (very candidly) that most of their employees were not highly engaged!

That is a staggering admission of failure. A fault-line that seriously compromises the success of all customer engagement initiatives.

Let's start with some hard facts...

Fact: Very few companies can achieve or sustain high customer loyalty without a cadre of loyal, engaged employees.

Fact: Engaged employees are enthusiastic about their work and their company. Their enthusiasm is contagious. It rubs off on other employees and especially on customers.

Fact: Employee promoters drive stronger business performance. Their motivation shines through in the way they treat and help customers. Their personal energy is infectious and helps not only to improve team productivity but also to develop creative solutions for the business... numerous product, process and service innovations are inspired by loyal employees.

The question is, how do you achieve this level of employee engagement?

One of the firms we represent is a leading practitioner in this space. They follow a three-step procedure:

- **Listen and prioritise** – through a 'closed loop' process underpinned by Net Promoter®
- **Involve and engage** – through a systematic engagement process that turns employees into advisers. This builds advocacy, stimulates positive word of mouth (WOM) and directly drives sales
- **Improve** – by using the collective creativity of the workforce to solve internal process challenges... resolve external product and service issues... and so optimise all opportunities.

They were able to apply this procedure very successfully when called upon to help a global travel company address the issues arising from a very substantial merger.

Case study 1:
Handling the merger of two disparate and large organisations

Travelport is a leader in the travel market employing 3000 people in offices across the globe. In late 2007, it acquired a competitor: Worldspan – a company with a very different operating culture. This necessitated a number of significant reorganisations and, not surprisingly, this proved unsettling... many in the workforce felt anxious about the future.

The Senior Leadership Team (SLT) knew it needed employees to embrace these changes positively and wanted to create an employee engagement programme that would make this possible... so they turned to Clustre's experts for help.

Clearly, engaging with 3000 employees who are widely spread across different time zones is no simple task. To achieve this cost-effectively and sustainably, with the full support of the SLT, called for an innovative approach... one that could be closely monitored and precisely measured to ensure success.

In September 2008, the 'Listening' process began. This involved a smart employee engagement survey with 1600 of the 3000 employees based in eight offices around the world together with additional in-depth sessions in Sydney, Atlanta, Denver and London. Nearly 850 people responded and the results were most revealing:

For a start, it proved conclusively that there was a need – an urgent need – for improved employee communications. Specifically, it revealed high levels of detraction caused by constant change, lack of clarity on future strategy and very obvious cultural divides between the merged organisations. Finally, the 'Listening' process then went on to 'unpack' the sources of detraction in greater detail and even provided an employee ranking for management priorities – the top three imperatives being:

- *Travelport management needed to listen to employees and act on their feedback*
- *There needed to be a clearer personal development process*
- *The company also needed to establish a much clearer sense of direction – only then would employees know where to focus their energies... and, just as importantly, why.*

Armed with this insight our experts recommended setting up an Employee Adviser Group (EAG) to guide the Travelport Communications team on improvements, to create a positive word-of-mouth machine and to provide the foundation for employee innovation. About a third of respondents to the initial survey agreed to provide further advice to the company demonstrating a positive desire to be involved.

Other innovations that were rolled-out, with close employee involvement, included:

- *Town Halls, Team Talk and Let's Talk Numbers sessions*
- *Bi-weekly snapshots of the business*
- *A portal to highlight the key difference between 'managing' and 'leading'*
- *A separate sales portal which helped the sales team to learn from each other on a daily basis – and thus improve the success rate.*

Travelport's CEO was so impressed by the results of the first six months' work that he decided to embed the 'Listening' process within the culture of the organisation. As a result, all 3000 employees were sent an engagement survey in May of that year.

Because the company had demonstrated that it both listened and acted upon employee feedback, the response rate leapt from 32% to 70% - giving the SLT even greater certainty that acting on employee insights would deliver really positive benefits to the business.

However, the response rate was not the only area to see a dramatic rise. The employee Net Promoter® Score improved by 31 points. Satmetrix – the Net Promoter® Company – typically views anything over a 10-point increase as world class.

*We will leave the last words to **Elizabeth Harraway, VP Global Communications, Travelport:***

"Travelport employees have responded very positively to our listening and involvement initiatives. We can now reap the rewards of improved business processes, cost reductions and higher employee advocacy...

"It is helping us to unlock the potential of our workforce and to enable the business to achieve its ambitious goals. As the world emerges from recession we are confident that we will be best placed to capitalise because we will be able to tap into the collective creativity of our people."

Harvesting and tapping into collective wisdom is, arguably, the chief raison d'être for Employee Engagement. Knowledge and experience are priceless assets that are often squandered and lost through redundancy, resignation and retirement. Capturing and sharing these assets with worldwide employees is critical – so vital that Vodafone decided to make it a global priority...

Case study 2:
Creating a social network within Vodafone

Every month, over 20,000 people around the world use Vodafone 'Circle' – a unique, interactive, Social Collaboration platform. They use it to connect, to collaborate, to share knowledge, to discuss best practice, to collect points-of-view and simply to keep in touch. One Christmas, over 25,000 people in over 30 countries had the opportunity to comment on an informal 'selfie' from the CEO. It made a very real personal connection. It also inspired a hugely valuable interactive exchange of ideas and goodwill.

But press the rewind button and travel back three years, you will discover a very different story. Worried that hierarchical and departmental barriers were damaging innovation and growth, the CEO put improving collaboration and sharing information top of the change agenda... a high priority that was to prove very challenging to deliver.

Sherry Rafiq, the Global Head of Communications at Vodafone was charged with delivering the change agenda. For a start, Sherry is refreshingly honest about her own false assumptions. Like many, she believed that generations brought up on Facebook and Twitter would instantly welcome an internal social network. Unfortunately, behavioural psychology is not that simple or predictable. In a work environment, people are often strangely reticent, closed and private. Never, ever assume that people will mirror their normal social behaviours in the workplace!

She also discovered how important it was to have the right collaboration tool at her disposal. It was hoped that Microsoft SharePoint would be able to meet that need but only a tiny handful of Vodafone's 100,000 employees worldwide were using it on a regular basis. Shrewdly, however, Vodafone teamed up with a highly innovative partner whose 'native' application transformed SharePoint into a versatile, user-friendly and very popular tool. Now over 80,000 Vodafone employees are registered to use the tool with upwards of 20,000 employees using it each month to share information and solve customer problems in a fraction of the time.

Sherry doesn't hide the frustrations of this truth. But the lessons learnt are also very revealing...

- *The value of internal champions and how best to motivate them.*
- *The absolute need to understand and identify with the user experience.*
- *The importance of creating topical, attention-grabbing content – such as a World Cup or Olympic programme - to constantly refresh the mix and stimulate interaction.*
- *The absolute requirement to maintain momentum. Once you start out on this journey, there is no turning back or opting out.*

04
How to improve Customer Engagement

The model approach

We use the model on the right to depict the key elements that must be synchronised to deliver a superior customer experience. To our mind, this is one chart every organisation should pin on their wall - it's a proven route map for anyone embarking on a customer-centric journey.

Know Your Customer

Knowing and understanding your customer has to be the starting point for an outstanding customer experience. You would think that such a fundamental stepping stone to successful engagement, would be the first priority for all companies. But, surprisingly, this is where most companies stumble. Let's pause to understand why…

As our next chart illustrates, many organisations fail to capture all the information they can on customers. Worse still, when it comes to collecting data on visitors and prospects, their performance is poor. But why?

Well, the problem is largely systemic. Most data capture and storage is still driven by outdated Systems of Record (SoR). This captures the necessary data – such as the customer details, the product/service purchased, the price paid, the means of payment – but some really important information goes unrecorded. The 'gold dust' data is to be found in the journey to that sale – the customer's browsing history, the rival products considered, the competitive quotations that were requested and the detailed discussions with product advisors that culminated in a successful sale. That is the rich data that is only found in Systems of Engagement (SoE)… the cutting edge of customer understanding.
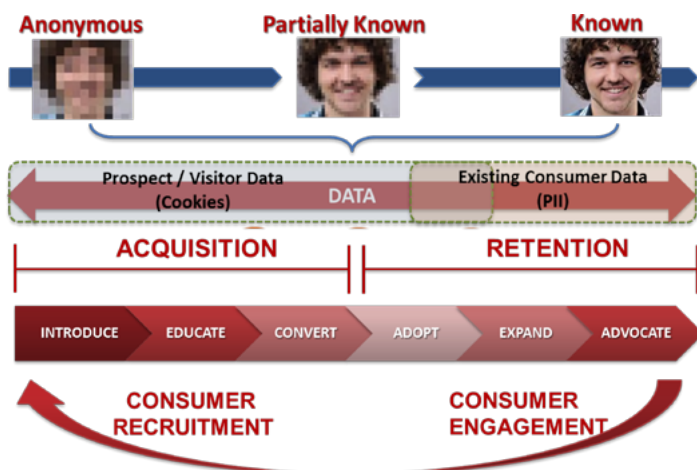
Interestingly, one of Clustre's innovation firms has taken this thinking to a new level of sophistication. They have identified the seven types of data now available to enterprises using the acronym TISOCAR which stands for Transactional, Interactional, Social, Observational, Content, Analytics and Research. This has to be the ultimate tool for Customer Insight and Understanding.

But let's return to the systemic problems that are short-changing our customer understanding – and let's consider the damaging influence of silo thinking…

How on earth can companies hope to create a holistic vision of customers and their behaviours when the data is stored in silos? And to compound the problem, how can you access and share that information when the 'support' systems are not properly integrated? It's a stand-alone nightmare. But that's the reality in many companies.

Fortunately, a growing number of organisations are now tackling the issue. They are appointing Chief Data Officers (CDOs) with a mandate to address this key problem. It's a welcome – and very positive – step.

Finally, let us touch on one of the biggest systemic headaches of all: 'data lakes'…

For years, companies have been collecting vast quantities of information and randomly storing it in huge data lakes. Hidden in those depths there are, no doubt, some really valuable currents of customer insight – but how do companies syphon the rich data from the worthless? And even more importantly, how much store can companies put on historic data? The resilience and relevance of historic information is becoming very questionable. This is the 'Fast Data' age. A real-time era where companies prosper or perish on their ability to exploit instant information.

This explains why many people are now debating the whole value of Big Data. Whilst there's no doubt that forensic analysis of consumer behaviour can be revealing, its value is limited to the past. It cannot tell you what people are buying right now or what they are very likely to buy in the future. And if you want proof of this truth, look no further than your nearest retail park. Supermarkets are some of the most voracious consumers of historical data. However, Big Data hasn't exactly halted the recent catastrophic slump in their sales.

Engage Customers

Understanding what your individual customers need, want and value – and, just as importantly, what they don't need and desire – is key to delivering customer centricity. Get it right and you will deliver a customer experience that's certain to generate repeat business and positive word of mouth referrals. Get it wrong and you could soon be out of business.

Clearly, history is not giving us the intelligence we need – but, curiously, selfies are now coming to our rescue…

We work closely with a new breed of innovator that exploits the power of smartphones to capture hugely revealing, real-time customer insights. It uses the video selfie to engage with a pre-selected group of consumers - capturing their experiences and opinions in real-time. Sentiments and semantic themes can be analysed, body language can be studied and advanced algorithms used to identify key learning points. Most revealing of all, this technology is bringing the real 'Voice of the Customer' into the Boardroom.

To us, that is a vital step forward. Because anything that breaks down the isolation of senior management has got to be good for business. It's not necessarily a substitute for pressing the flesh with real customers but it will enable senior management to capture the pulse of their customers without leaving the comfort of their head office suite.

Manage Customer Interactions

Modern customers have a wide (and growing) range of possible touchpoints with suppliers of products and services. These include everything from traditional retail outlets and branches to call centres, websites and mobile apps.

Anything that widens choice and multiplies the opportunity to buy has got be a good thing. But there is one big snag...

These channels were established at different points in time. They are also run by different parts of the supplier organisation. And that's the perfect recipe for a massive disconnect.

Let's take the typical high street bank as a practical example...

One part of a bank runs the branch network. Another runs the website and yet another takes responsibility for an increasing number of mobile apps for customers. Then there's an IT department to look after the ATM network. And, to further confuse things, there's probably a customer 'Help' desk in a distant, off-shore call centre.

Now try getting all of these disparate elements to work in perfect harmony. It's another nightmare scenario. When you attempt to resolve a simple problem, it invariably becomes a frustrating marathon. Why? Because each person's powers are strictly confined and defined.... bank staff deal in fragments of the solution... they rarely see the big picture... so there's no joined-up response... no holistic service. That's why you get passed from pillar to post.

What customers find so frustrating is that they have a very clear picture of their various interactions with a bank. So why can't a bank have the same clarity? How it is that a bank can spend £1bn pa on IT but still have such a disjointed grasp of customer interactions?

And if you think this problem is confined to banks, think again. The very same issues and endemic problems can be found in major retailers, utility companies and many government departments.

Yet the technology does exist to address these interaction issues. Right now, using innovative but proven technology, banks for example could:

a. Use Robotic Process Automation (RPA) software to isolate the customer from the vagaries of legacy processes and systems and, by doing so, provide a seamless customer journey from start to finish.

b. Use Artificial Intelligence (AI) to allow contact centre staff to handle any question a customer might fire at them during the call, rather than only partially handle the question because that is all they are qualified to do. Called 'first time resolution', this makes a huge difference to customer satisfaction – and, incidentally, it also drives down the bank's costs!

c. Keep a watching brief on a customer's financial affairs and take proactive steps to help.

    For example, data analytics might reveal that a customer's bank balance can, on occasions, fluctuate dramatically... sometimes showing a major cash surplus; occasionally plunging deep into the red. This information could be used to trigger a recommendation for a short-term savings facility balanced by an increased overdraft limit. What's more, the bank could alert a customer to all movements, as they happen, by email. Now wouldn't that be refreshing and reassuring?

The resolution of interaction issues requires the involvement of a senior executive with a company-wide, rather than a departmental, remit. Ultimately, the only way to make any serious progress is to create an in-house customer advocate. A senior executive who is not only the internal voice of the customer but also their agent of change. Cue the Chief Customer Officer (CCO).

Personalise Products and Services

It wasn't that long ago that car buyers were told they could have a Model T Ford in any colour they liked... providing it was black.

Ironically, this limitation was imposed by the most liberating invention of the 20th century. When Henry Ford designed the first moving production line in 1913, he turned the dream of car ownership into a mass-produced reality. The fact that his cars came in only one colour was a small price to pay for such affordable freedom.

Today, cars come with so many option packages that it's actually possible to order an utterly unique one. But the most remarkable achievement is that these highly personalised cars roll off precisely the same production line. In the space of one hundred years, the car industry has shifted gear from mass production to mass customisation.

Sadly, the same cannot be said for other industries...

Despite the obvious cost and complication of accommodating so many variables, the car industry has grasped the importance of customisation. This is the new imperative. Yes, it may be pandering to consumer arrogance and egotism. And yes, it undoubtedly does fuel the selfish preoccupation of the 'Me.. Me... Me!' generation. But, if that is what customers demand; then customisation has to be the priority driver. Companies that go out of their way to meet this need, will be business winners. Those that don't, simply won't be in business.

This reality was clearly documented in a book written by one of our Clustre innovation firms on the subject of: Generation Z. One of the authors, Mark Cowan subsequently wrote in a short article:

"We have a new generation entering the public consciousness. Born after 9/11, with over 2 billion of them globally and an average life expectancy of 98 years old, the 'always on' Generation Z has its own spending power, a freedom of expression, an unparalleled access to information and are completely unconstrained by the rules and order that has influenced the Boomer, X and Y Generations that have gone before them.

It's highly likely that if you're reading this and are over the age of 33 (Gen X or older) you won't be able to fathom Z's attitude to a variety of life factors... Education; 'Why bother with university?' Friendship: 'I share everything with everyone', Food: 'it's my fuel for life' and Careers: ...what's a 'career'? Why do I need one?... I'll do what I like.'

Every generation will try to fix the flaws of the previous incumbents. They share mind-sets caused by a common set of parenting behaviours; a set of filters that live with us as we go through the journey of life. These ingrain a common, but contrary mind-set in the generation that follows. In the seminal book The Fourth Turning, Harvard professors Strauss and Howe made the startling discovery that each generation goes through four shifts in mind-set during their life and these patterns have repeated themselves so consistently to be predictable going back 400 years.

The key is to see each generation beyond your own filters, and using a generational lens, ask yourself 'what does each expect of my brand, product or service experience depending on where they are in their life?'

If you overlay something simple like eating in a restaurant or checking into a hotel you can quickly imagine totally different service propositions that transcend the now wise 'seen it all before' Boomer who grew up in the 60s vs the get on with it pragmatism of X to the overly protected digital natives of the 90's. Each has different needs of essentially the same service.

If you're a brand or employer it's time to take the wider angle view of the next generation now, as you're certain to spot future opportunities before the time comes."

Mass Customisation is not a passing fad that will soon fade into obscurity. This phenomenon is here, now... and growing. The proliferation of social media has changed not just the game-plan; it has totally re-written the rules of the game. It has given consumers a voice and a viral audience that companies ignore at their peril. And let us give you a graphic example of just how positively that channel can change the fortunes of a company.

Earlier we cited the true story of United Airlines – now let's contrast it with another case study from the same industry. It's an object lesson in taking social media very seriously and empowering people to take decisive action...

A Virgin Atlantic flight had just embarked its passengers and was preparing to take-off when the captain announced that airport control had delayed the flight for 30 minutes.

Any hold-up on a long haul is frustrating but, for one passenger, the aggravation was about to ratchet skywards. On opening his PC to complete some urgent work, he discovered that his overhead light wasn't operating. In the dimmed cabin of a 747, this wrecked his plan to turn the night flight to productive advantage.

To say that he was 'mildly miffed' was a slight understatement. To vent his anger, the passenger did what millions of frustrated customers do... he tweeted. He filed a very public complaint. Family, friends, colleagues and acquaintances received a graphic account of Virgin's failures.

Unbeknown to him, though, other eyeballs were also tracking the unfolding drama. Virgin monitor all social media for any reference to their brand and business. Messages are captured and analysed in real-time – this one went straight to the top of the priority scale...

Already going viral, the risk of damage to Virgin's brand reputation was very real. Immediately, the possibility of a passenger upgrade was considered and eliminated – this was a full capacity flight. So the customer care team moved swiftly to Plan B...

Five minutes after the tweet, a senior engineer boarded the aircraft. After personally apologising to the astonished passenger, he removed the control panel above the seat, replaced the faulty unit, checked and tested the system, and then quietly exited the aircraft.

As a practical demonstration of customer service, this must rank among the best. It turned a genuine brand threat into a global PR success. More importantly, it demonstrates what can be achieved when you are serious about social media... when you put a high priority on customer care... and when you empower people to make a decisive difference.

Put it another way, if you were booking a transatlantic flight, which airline would you choose: Virgin or United Airlines? Enough said.
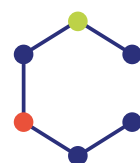
05
Practical first steps

To radically improve employee engagement and deliver a superior customer experience is both challenging but immensely rewarding (in every respect).

So where do you start? Here are four simple steps:

a. Measure your current level of customer and employee satisfaction. When you have established ground zero, you can really start to build.

b. Listen to your employees and customers. Don't attempt to second guess their needs; seek their insights. They know, better than anyone, what needs to be done to improve satisfaction. But make sure you act upon their suggestions.

c. If you haven't already done so, appoint a CDO and CCO. These senior execs will ensure that your company acts on a holistic view of customers and data.

d. Invest and innovate. Evaluate and buy into game-changing technologies – such as Artificial Intelligence – to fundamentally improve the way employees and customers are served.