

## Customer Experience Management (CEM)

### The next frontier for support centers

#### Learning from the best

I was on business in Cambodia recently when I received a text message from First Direct, my bank in the UK, asking me to call them at my convenience. I called during the morning, which was the middle of the night in the UK. As always with First Direct, I immediately got through to a helpful agent who sounded cheerful, alert and eager to help me despite it being 3:00 AM in the UK.

EVERY 8 SECONDS SOMEBODY SOMEWHERE  
RECOMMENDS **FIRST DIRECT** TO A FRIEND



**Black & white banking**

The agent knew who I was and why the bank wished to speak to me. Apparently the bank could see from my credit card expenditure that I was in Cambodia but they had received a request for payment from a gallery in Paris. They figured out I couldn't be two places at the same time so thought they should check with me. Of course, I told them that I hadn't bought anything in Paris so not to settle the bill, cancel my card and deliver a new one to me the day I got back to London.

The point of the story is not that First Direct monitored my account and pro-actively picked up a fraudulent purchase. Or that they delivered my new card promptly to my office exactly as promised. Rather that the interaction with the contact center not only delivered on the First Direct promise of being “the bank that is designed to fit around you” but also demonstrated how I believe contact centers need to evolve in the future.

Without a clear understanding of what the First Direct brand stands for and technology that enabled her to deliver it, that agent would not have been able to make my interaction a memorable event and one which typifies the First Direct experience. Perhaps that is why First Direct attracts a new customer every eight seconds through referral from satisfied customers or that its Net Promoter Score (a measure of customer advocacy and growth) is one of the highest that we have seen.

A customer experience strategy must be embedded throughout the organization to be successful. In the contact or support center—which is front and center for customer interactions in many organizations—each and every customer touch is a test of the organization as a whole and its promise to the customer.

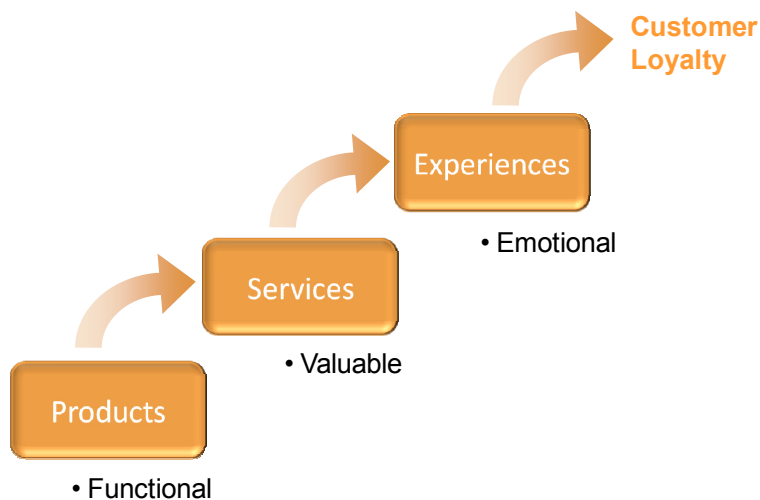
So if every interaction is an opportunity to create, nurture and strengthen customer relationships and leave a lasting impression on the customer, how can you empower your agents to deliver the best experience possible? How do you enable them to truly engage and differentiate your brand from your competitors... so they can't stop talking about you?

In today's instant-communication world, everyday customer service experiences are easily retold and shared with millions through the power of the Internet—even more reason to ensure that every experience is so positively powerful that it burns a memory of your company's brand into your customer's mind!

What's the difference?

If we look at how markets evolve over time, we see a shift from competing primarily on the basis of product functionality and efficiency of distribution to, intermediately, winning business through added-value services and marketing activity and finally, to offering differentiated experiences that create an emotional pay-off for the customer and create "share of mind." I suggest that contact centers and the technology that supports them are following a similar path.

### The customer experience management+ staircase



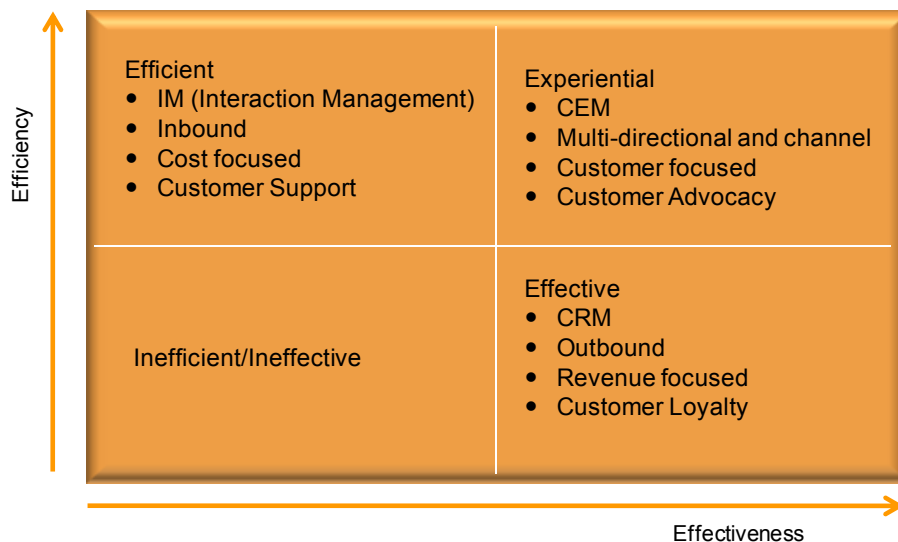
#### From interactions to experiences

In the world of contact centers, we are seeing a similar shift from interaction management (handling inbound transactions) to CRM (managing outbound sales) to CEM (integrated call center experiences) that mirrors the CEM+ Staircase. Some organizations remain stuck at Stage 1; many have made the transition to Stage 2 (e.g., many Telcos use CRM primarily to poach customers from competitors); but First Direct is one of a few organizations that has made the transition to the final stage. I predict that this is the future for those organizations wishing to move their operation from being a cost center or marketing engine to one that is an integral and value-adding touchpoint in the complete customer experience.

Dimension Data concluded in its 2007 contact center benchmarking report, "The majority of contact centers are still run as cost centers, not as strategic business units." This is a significant problem for the customer, as we can look forward to many more dismal contact center interactions. Yet it is also a tremendous opportunity for those companies with the vision and understanding to recognize today's most powerful differentiator: Customer Experience. Recent research by Harris Interactive found that even in an economic downturn 50% of customers will pay more for a better customer experience and Accenture found in a 2007 study that 50% of customers who defect from companies do so because of poor contact center experiences.

"The majority of contact centers are still run as cost centers, not as strategic business units."  
*Dimension Data*

## Contact center evolution



### Making the move to the customer

Many organizations today are still at the interaction management stage. It is all about cost reduction and efficiency; the focus is on providing a minimum amount of sales support or service at the least cost. The strategy is often outsourcing to offshore call centers, despite the impact on the customer experience, and the metrics are all about call volumes and handling time.

	IM (Interaction Management)	CRM	CEM
Sponsor	CTO	CMO	CEO
Value orientation	Product/sales support	Customer value to enterprise	Enterprise value to customer
Enabling factors	Operations and telephony	Systems and processes	People and interactions
Directional Focus	Inbound	Outbound	Multi-directional and multi-channel
Purpose	Customer support	Customer loyalty and sales	Customer advocacy
Pay off for customer	Functional	Transactional	Emotional
Metrics	Average Call Handling Time	Sales	Net Promoter Score
Evolutionary Stage	Efficiency	Effectiveness	Experiences

CRM is usually thought to stand for “customer relationship management,” but in my view, customers believe it stands for “constantly receiving mail,” because this is the nature of their experience. The metrics are about response rates and conversions, and the emphasis is on trying to win more sales, rather than delivering any kind of value to customers.

The primary focus of CEM, in contrast, is on the extent to which the experience that customers receive is “on brand” and adds value. This requires that organizations treat the contact center as an important touchpoint in the customer experience and a vital channel for delivering the brand. As such, the metrics are about customer advocacy, as measured by Net Promoter Scores or something similar; and while efficiency is important, it is not at the expense of effectiveness.

#### CEM+ technology

CEM requires not only a different philosophy but also a new approach to technology. Between 2001 and 2003, expenditure on CRM technology increased from \$20 billion to \$46 billion, yet one study found that 55 percent of CRM installations drove customers away and diluted earnings. A pan-European study by Oracle found that ineffective information systems are a primary cause of poor service experienced by customers.

In the Harvard Business Review article, “Avoid the Four Perils of CRM” (February, 2002), the authors, Frederick F. Reichheld, Phil Scheffer and Darrell K. Rigby, suggest that the main reasons for this failure are:

1. Implementing a CRM system before creating a customer strategy
2. Installing CRM technology before creating a customer-focused organization
3. Assuming that more CRM technology is better
4. Stalking, not wooing, customers

CEM must come first. The role of the technology is to support the delivery of the experience. Every touch in the contact center, whether inbound or outbound, represents a unique and immediate opportunity to extend and strengthen a customer relationship. Each interaction, whether it is a sale or a save situation, requires that your agents be prepared to respond quickly to the unique demands of the individual customer. Contact center agents need the best decision support available so that they are free to focus on the customer experience.

The question is, “How do you create the conditions for success such that the technology works?” Our view is that you have to undertake six important audits before installing the technology to ensure that it enables, rather than inhibits, the customer experience. We typically find that these audits do not take much time but are very influential in making sure that the appropriate context is created. We show below an example from one of our telecom clients. (The name is disguised.)

## Experience audits



### Putting the customer before the technology

Health Advocate is a US national healthcare advocacy and assistance company. Health Advocate's mission is to help members navigate and overcome issues they encounter while accessing the United States' complex healthcare and health insurance systems. Staffed by medical and claims experts that previously worked in the provider and insurance networks, these people (appropriately called "Advocates," not agents) know how to cut through the bureaucracies. But Health Advocate knew that the call center had to be the antithesis of the typical healthcare customer service center with long waits, impersonal service and impassionate personnel. (A Forrester Study found that health plans came in last place out of nine industries in Customer Experience Rankings, the lowest rating for satisfaction with online interactions and last place in satisfaction with phone interactions).

Health Advocate (HA) opted not to use an IVR system or voice mail so that when a member called, he or she would not only get a live person, but could work with the same Advocate repeatedly until the issue was resolved. HA deployed a dynamic unified agent desktop that presents all of the member's background and history as well as any other resources and content the Advocate may need. This lets Advocates maximize time working with the members rather than going through time-intensive customer look-ups, interaction history and content research.

Advocates are empowered to solve member issues. Long phone calls are not looked upon negatively. Instead, management views longer and multiple calls as indicators of in-depth and intimate service. So, unlike the cost center that is driven by first-call resolution and call durations, the Health Advocate "experience" center is more concerned with championing positive outcomes for their members—regardless of how long it takes.

When you look at technology in the context of CEM, it needs to embrace CEM methodologies, enable the delivery of the brand promise and measure the experience. We all know that it's the employees—the contact center agents, advocates or customer loyalty representatives—who deliver the customer experience. So the technology must equip them with the right content, resources and guidance to consistently deliver the designed experience, yet be flexible enough to let them move off center when necessary.

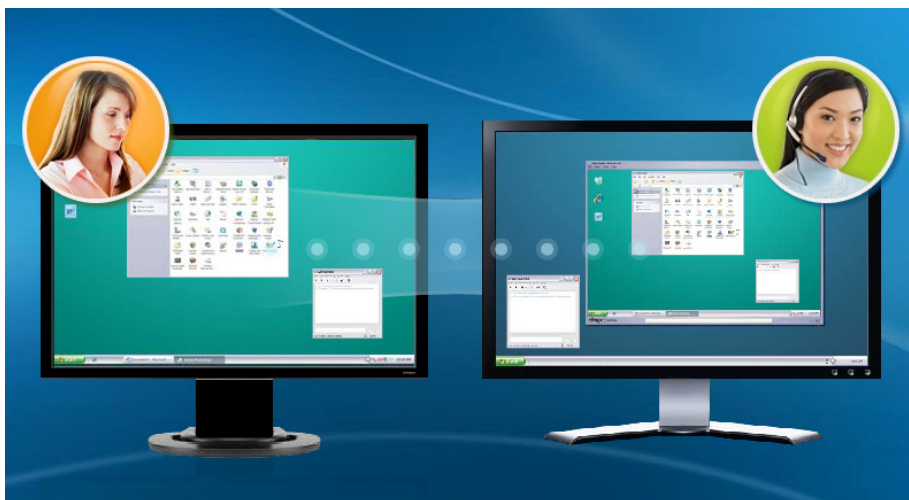
CEM takes the right level of initiative and leadership. If Michael Dell and senior leaders were not passionately behind the shift to customer centricity, there would be no turnaround. The customer has enormous power in making or breaking the brand. So you'd better make every customer touch, especially in the contact center, worth writing or talking about. As Michael Dell points out, "We don't own our reputation, we just own our actions. That's something our customers give to us in return for us exceeding their expectations." Learn from customers and understand what they value. Pay attention to what they are saying ... or not saying.

Where do we go from here?

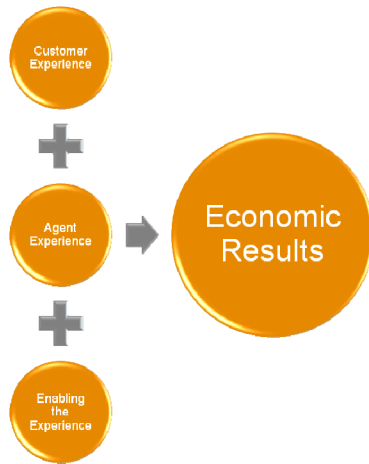
So what are the implications of CEM for contact center management? I would argue that if the customer experience is a primary strategy for an organization, then the support center should be a fundamental component of that strategy. It should not be technology-driven but technology-enabled. In other words, CEM comes first. The decision belongs with the executive team so that marketing, operations and human resources are working together to ensure that the support center experience works harmoniously with the brand and delivers an experience that provides value to the customer and the organization. I suggest that those organizations who see customer advocacy as a key driver of business growth need to change their focus from efficiency or effectiveness to experiences.

Fortunately, there are some excellent technologies that are helping to create better experiences for customers. Citrix® Online's GoToAssist® software, which allows agents to provide remote assistance to customers, is one.

### GoToAssist Remote Support Session



Not only does this have a "wow" effect on the customer who experiences it for the first time, but it is also more efficient for the organization, allowing the agent to be "hand's on" with the customer's computer (avoiding communication delays and errors) and, better for the agent because they have more control over the solution. This neatly sums up our view of the technology of the future: Enhanced agent experience + Enhanced customer experience + Enabling technology = Economic results.



Another example is Cincom's CEM+Synchrony unified desktop, which provides a more efficient user interface, giving the agent a better experience, allowing them to make better use of their time with the customer and thereby enhancing their experience. Result: enhanced economic returns.

## A Radical Thought: Focus on Your Profitable Customers

Moving up the staircase from transactions to experiences requires a radical reorientation. It is not about being customer driven but customer focused. Not all customers are the same. Like pearls, people are often more different than they appear, and some are more valuable than others. The little differences that make each account holder unique should also inform the customer experience that you provide. Within the contact center, you must be able to differentiate customers and deliver an experience that is appropriate to the audience.

To produce real focus, consider the following four recommendations.

### 1. Segment by profitability, not demographics

While many organizations undertake customer research and collect mountains of segmentation data, relatively few can identify their most profitable customers (rather than their largest) and those that can, rarely turn this into insight. Many organizations often try to be all things to all customer segments—only to end up looking the same as everyone else.

For example, Harrah's Entertainment, the largest casino operator in the US, focused on its profitable customers and identified that just 26 percent of its customers generated 82 percent of its revenues. They restructured their focus on creating a more valuable experience for its most profitable customers for whom gaming is the main attraction.

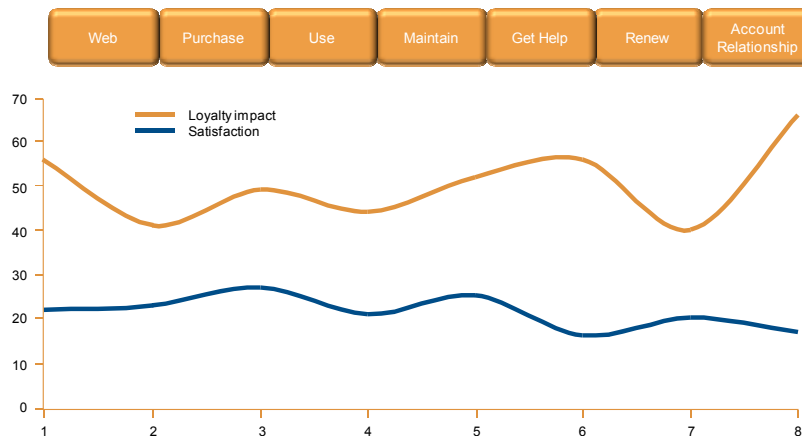
### 2. Discover what your customers truly value

Suppose you've decided which customers to focus on. Do you know the three or four most important attributes driving their intention to repurchase or refer you? Without the answer to this question, you may have data, but you don't have insight. And insight is the pearl of wisdom that leads to a great customer experience—and true differentiation.

In the case of Harrah's, the gaming experience was redesigned to increase customer satisfaction and differentiate the brand. So for example, its Total Gold loyalty program was transformed into "Total Rewards," which segmented customers into Gold, Platinum and Diamond categories, depending on their loyalty to Harrah's. Harrah's executives discovered

that delays at reception were a turn-off for customers, so Gold customers benefit from fast-track lines; Platinum customers have shorter lines still; and Diamond customers have no lines at all. Harrah's share of these customers spend rose significantly.

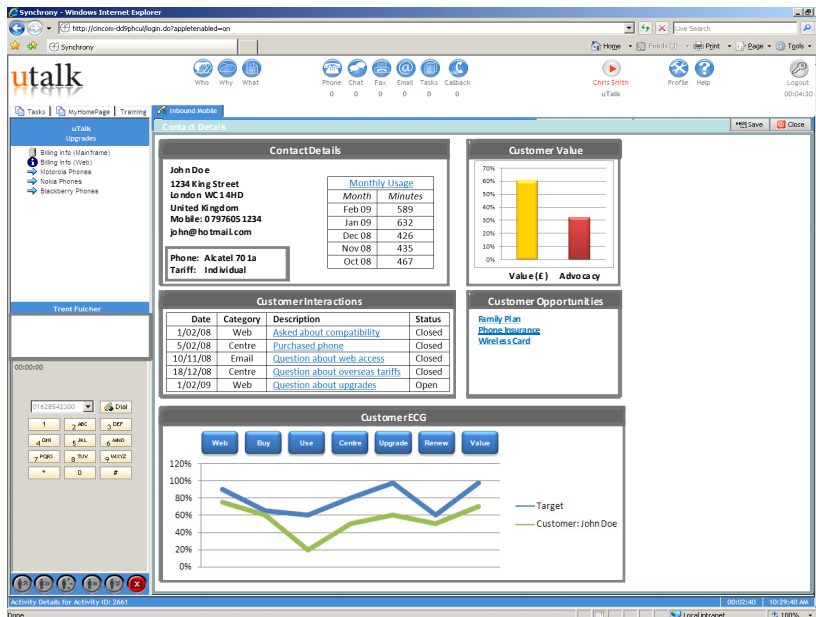
### B2B example



It is vital to know which parts of the customer touch-line to invest in so as to drive customer loyalty. In this example of one of our business to business clients, it is clear that the support center and relationship managers were key yet under-indexed. Satisfaction was lower with the two touchpoints that had the largest impact on loyalty, “Get Help” and “Account Relationship.” As a result, the client chose to over-index on these two touch points and invest in enhancing the support center experience and training for account managers.

### 3. Move beyond customer satisfaction measures

Are your customers willing to go out of their way to choose your products and services and refer them to others? Nothing else counts. Yet we see many executives adding up the percentage of customers who offer “somewhat satisfied,” “satisfied” and “very satisfied” poll responses, then congratulating themselves on their customer-satisfaction levels. In a number of customer experience projects that we have completed in a variety of markets, we found the harsh reality to be that 80 percent of customers are vulnerable to competitive offers and fewer than 20 percent act as advocates. We define advocates as those customers who are willing to give you top-box scores. Unless you are measuring the advocacy of your most profitable customers, you are missing one of the most predictive measures of organic growth.



The latest support center software such as GoToAssist and CEM+Synchrony allow for customer satisfaction to be measured and displayed. This is a CEM+Synchrony example showing how advocacy and the customer experience can be displayed on the agent desktop.

#### 4. Leading, rather than managing

Advocacy comes from customers having a clear brand preference and that, in turn, comes from the brand's willingness to differentiate: to be something special to somebody special. Unfortunately, in their attempts to minimize risk, many institutions have swung the pendulum too far in the direction of trying to be attractive to all segments. The accountants have been running the show. They have lost sight of the forest by looking too hard at the trees. Reading research reports or studying profit and loss sheets is no substitute for talking to your best customers and finding out what they truly value.

*This requires a different approach: leading rather than managing; passion rather than endless analysis; focus rather than fragmentation. Paradoxically, the evidence seems to show that the more effort we put into creating a great customer experience and the less we manage by the numbers, the better our profits will be.*

## About Shaun Smith and Smith+co

Shaun Smith is one of the founders of the customer experience movement and a foremost expert in CEM and brand loyalty, speaking to audiences around the world on the subject. Smith+co focuses on one aim—to help companies turn indifferent customer experience into a branded customer experience that defines their organization and drives customer loyalty. Smith+co provides customer experience management expertise and proven methodology to help its clients work through each stage of the process. For more information, visit <http://www.shaunsmithco.com>.

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