The 7 Key Ingredients of a Successful Customer Experience Program in Telecoms

How does the Customer Experience evolve inside the organisations and how to overcome some of the challenges along the way?

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Executive Summary

Telecoms executives say that Customer Experience (CE) is a top priority for them and yet neither they nor customers rate their telecoms' experience particularly well. We embarked on a research to investigate why that is the case.

We found that people within the industry struggle to point a telecom they admire and therefore they should look outside the industry for best practices. In terms of governance (Chapter I), the CE usually sits within the Marketing department, but where the organisation has been on the CE journey for more than 3 years it has been elevated to a cross functional unit and in some instances the Head of CE even has veto rights. However in many companies the Head of CE has only been given responsibilities but hardly any authority.

A whopping 70% of the respondents in the research said that silo mentality is the biggest organisational hurdle they face (Chapter II). In our experience we have found that cross functional Customer Councils help overcome this obstacle. Another issue that we have found is that majority of telecoms have not defined and communicated the experience they are trying to deliver (Chapter III). This leads to everyone doing what they think is right and results in a disjoint experience.

The approach to Customer Experience that most telecoms have taken is primarily focused on fixing the basics using voice of the customer programs, looking at complaints etc. The true driver for those actions is the desire to cut costs and in best cases these lead to reducing the negative emotions in the experience (Chapter IV). However the opportunity for differentiation and loyalty lies in purposefully building positive emotions in the experience and one of the ways to do that is via Journey Mapping (Chapter V). Yet few companies have recognised this opportunity as 75% of telecoms prioritise their CE initiatives based on customer complaints data and what customers say they want (Chapter VI). The problem with that is that people are not necessarily aware of the true drivers of their behaviour, which are often subconscious or emotional and thus not able to verbalise on these. Basing investment decisions on what people say they want may also prove to be a quite costly mistake and is the main reason why it took so long for Customer Experience to take off as a business discipline.

With all the above said it's no surprise that customer experience professionals struggle to build the business case for CE initiatives. In Chapter VII we look at the various options to justify those.

Introduction

Back in 2011, we at Beyond Philosophy undertook a comprehensive review of the state of the global market for Customer Experience Management. The Research was based on a sample of 8,000 Customer Experience (CE) executives from 239 countries and regions of the world as well as in-depth interviews of 53 leading authorities on Customer Experience from six continents. One of the findings was that Telcos were allocating the most resources to customer experience.

A Bloomberg Business Week research also reported that 92% of Telecom executives say that Customer Experience is a top strategic objective for them and yet they themselves rate their own experience pretty low. And so do customers. A poll in LinkedIn found that the Telecommunications industry provided the worst customer experience (39% of the votes) followed by the Banking industry (with 22% of the votes).

This prompted us to investigate why the experience they provide is so poor given that executives say it is a top priority and they commit resources to it. We conducted a research amongst senior customer experience professionals and executives from 40 leading Telcos in North America, Latin America, Europe, Africa and the Middle East.

Why are Telecoms so bad at Customer Experience?

One of the questions we asked really proved to be the 'killer' question. We asked the respondents '*Which Telecoms company do you most admire for delivering a good Customer Experience?* 'The silence was deafening. We heard a couple of names such as O2, Vodafone, AT&T repeating but the answers were not convincing.

The first recommendation is a simple one, but very important. If you wish to improve your customer loyalty and retention the solution does not lie in the Telecoms' industry. DO NOT look to other Telecoms companies for best practice. It doesn't exist! As no one is standing out in providing a good Customer Experience we would suggest you don't try and copy your competition. Therefore, it is critical to look at the Customer Experience outside the telecoms industry, attend seminars, conferences from other industries sectors or employ consultants with a broad background and learn from them.

Colin Shaw looks at why is this the case:

First of all, full disclosure. Let me say straight away I worked 18 years in Telecoms before leaving them 10 years ago to set up one of the first ever dedicated Customer Experience consultancies, Beyond Philosophy. Let me start

by saying I couldn't be doing the job I am today without the learning I gained at BT. They are a good employer but the reality is they dealt with Customers poorly. BT were very internally focussed. A number of the traits I witnessed at BT I now see in many other Telco's today. For example BT had values that said 'We put the Customer first'. The reality was far from this. Customers came a distance second to what was good for the organization. Cost cutting, internal politics, profits and the need for positive analyst briefing always outweighed the Customer. I hope it is different now.

Back in the day, Senior Managers said they were interested in the Customer but their actions showed they weren't. Two occasions spring to mind. The first was when my colleagues suggested we stopped measuring Customer Satisfaction as they never paid any attention to the results! The second occurred on the last day at BT. I attended a budget meeting. We were reviewing where we were spending money for our 55,000 engineers. I always remember observing at the end of the meeting that not one initiative was focussed on improving the Customer Experience. All new initiatives were focussed on cost reduction. The reality was the Customer was not in their blood. It was not part of the culture.

Is your organization like this? I don't see a lot of change in the Telecoms companies I have seen recently. To answer my own question, the reason telecoms are so bad at Customer Experience is because there is a focus on themselves rather than the Customer, despite the words of Senior Exec's to the contrary. This attitude then spills over into every aspect of their behaviour. Let me also say Telecoms are not alone. This is prevalent in far too many organizations. The biggest lesson I have learnt in the fifteen years I have been doing Customer Experience is it's all about the mind-set. Telecoms mind-set is 'inside out'.

On a personal basis I realised BT was not serious about improving the Customer Experience and realised my future lay elsewhere, by starting up my own company, Beyond Philosophy, and working with companies who are serious. This is one of the best decisions I have made in my long career.

The good news is we have worked with some good telecoms companies who are doing a good job on Customer Experience. Turkcell, in Turkey and du in the UAE are good examples of what should be done. See our webinar case study: .http://www.beyondphilosophy.com/thought-leadership/webinars/best-practices-building-market-leading-customer-experience

In my humble opinion I still believe there is a massive opportunity for a Telecoms company to get this right and people would then flock to them. However, it takes actions not words. It will take true commitment from the top and a dedicated team of Customer Experience professionals. In the meantime I live in hope for an industry I still have a great affinity to. One thing is clear; Customer Experience professionals need to look for inspiration outside the

Telecoms industry not within to truly make a difference in their Customer Experience.

I. How is the Customer Experience Governed in Telcos

We started our investigation by looking at how the customer experience is governed in Telecoms and who owns it, what are the responsibilities and the authority of the CE owner and how does it evolves within the organisation.

Who owns the Customer Experience?

In 50% of the organisations we spoke to Customer Experience was sitting within the Marketing department. Marketing people are the ones most used to thinking about the consumer psychology, emotions, buying behaviour and conducting research so this is a natural incubator place for it. The problem with this one though is that in some cases they have little authority over Operations which makes implementation of initiatives more difficult.

Fig. 1
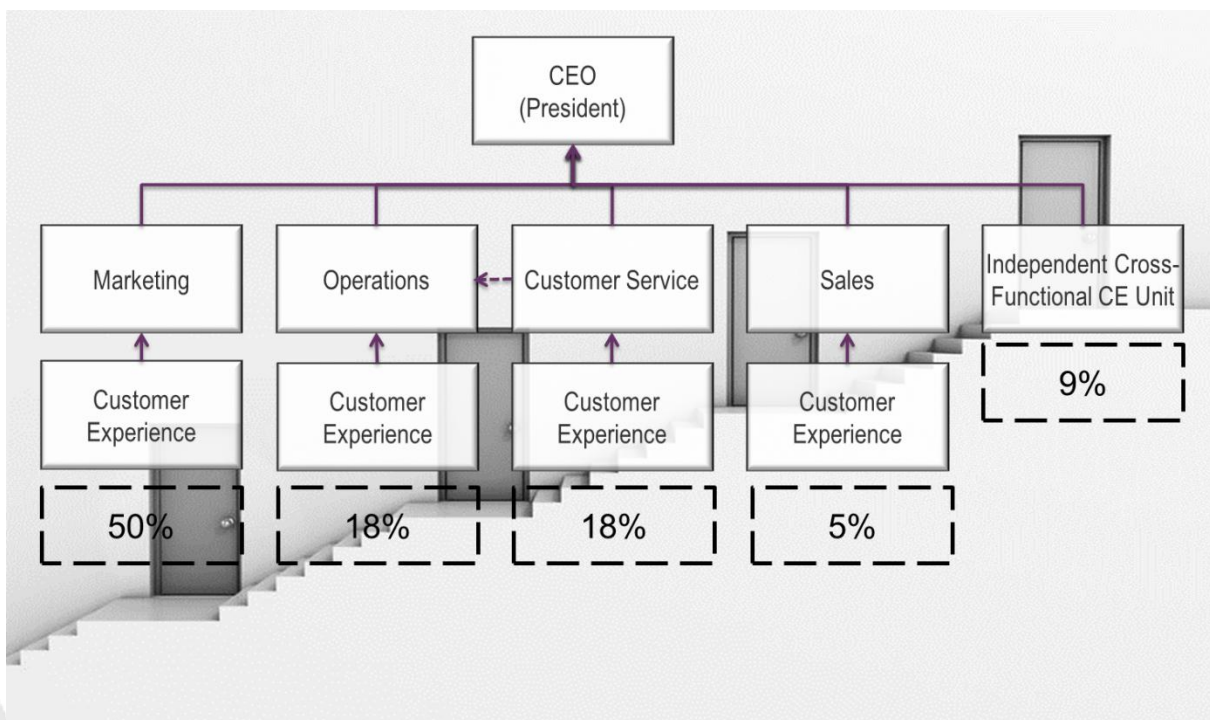
In 18% of the cases Customer Experience was sitting within Customer Service. Again this seem to be a natural place for it as customer service people usually have the customers at heart and have a view of what causes customer irritation, complaints etc. The potential problem with this position though is that Customer Experience is seen only for the front line people i.e. rebranding of Customer Service rather than embedding the customer experience thinking into all parts of the organisation.

Another 18% of the respondents said that Operations own the Customer Experience within their organisation. However for us the more interesting finding

was that 9% said that in their organisation the Customer Experience was established as a cross functional team that reports to the board. Those were organisations who took on the customer experience journey about 3 years ago. We've been long advocating for a cross functional Customer Experience Council as a way to fight silo mentality and now it seems more organisations are taking on this route.

What we didn't find in Telecoms and is a rare practice in Fortune 500 companies but also one that needs consideration is the case when Customer Experience sits within Human Resources (which by itself is an awful word e.g. treating people as resources). That way the HR managers can be responsible for both the employee and customer experience which are interlinked. For that to work you need an HR manager who is really good at convincing and less on admin and hitting on the brakes (as most HR departments do).

As you can see from the above, where Customer Experience sits in the early stages of its development depends from the situation within the organisation and ultimately who within the boardroom has endorsed it and is sponsoring it. Once it gets past its embryonic phase and more people endorse it, we would recommend that it becomes a cross functional unit governed by a Customer Experience Council, chaired by the Chief Customer Officer.

So what is the typical customer experience maturity path?

The Naïve Stage

Usually a Customer Experience focus starts with people being supportive on words. When growth becomes a challenge, executives start to look at the customer attrition ratios, customer complaints etc. to meet their targets. Typically everyone is in support to the improving the experience, who would say that improving the Customer Experience's is the wrong thing to do, but does that translate to action? In most cases someone is given the responsibility but when it comes to actual implementation and assigning resources, people are unwilling to let that person interfere with their usual way of working. In short everyone is happy until you ask them to do something. This is where the support of an exec is extremely important to take the improvement initiatives off the ground.

Low End Transactional Stage

As the organisation is not yet ready to jump with both feet at this stage, we found that organizations start with a pilot project to prove the concept. For example some teams create initial smartphone set-up leaflets, e-mail guidelines etc. in order to eliminate dump contacts like "how do I do x" thus reducing costs and the same time improving the experience. Another example would be eliminating major sources of complaints e.g. TV and broadband teams missing their home visit appointments, which drives extra call centre traffic as well.

Fig. 2

Typical Customer Experience Maturity Path
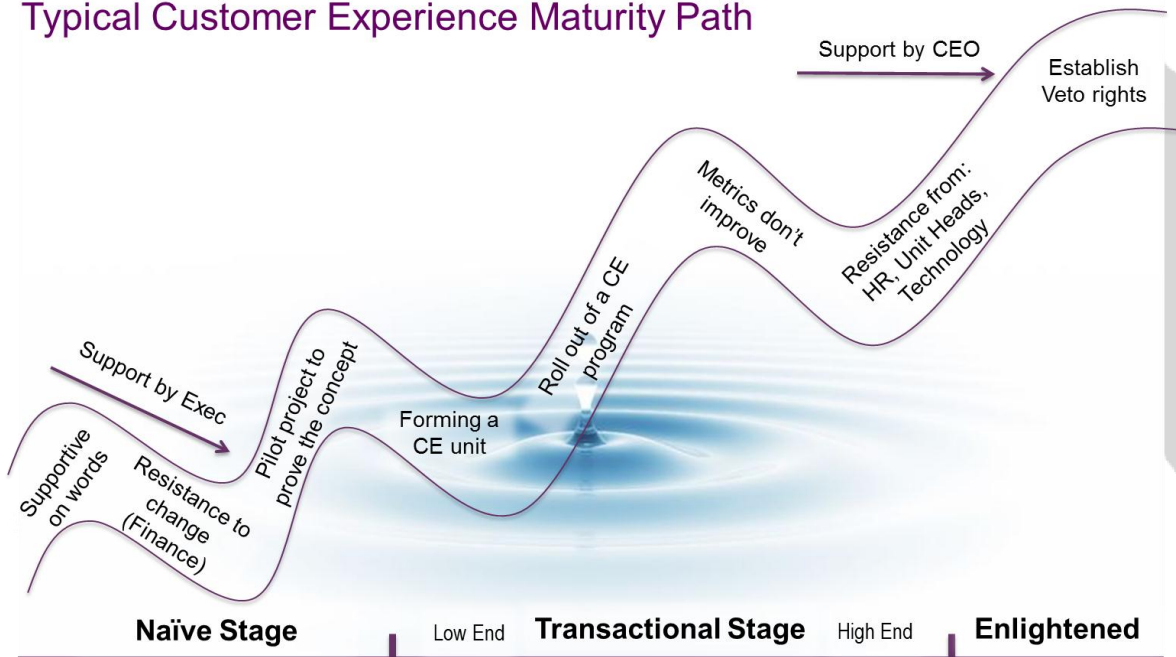
Once the pilot project has proven its worth, organisations increase the capacity of the Customer Experience teams and make them formally responsible for the Customer Experience within the organisation. They are to own the voice of the customer program and to act on it. So the team start collecting lots of customer data and acting on some findings but in an year's time many of the overall metrics e.g. Customer Satisfaction, Net Promoter Score etc. don't improve significantly.

There are several reasons why this usually happens. For one the team is missing an overall strategy which aligns the whole organisation e.g. HR, Finance, Legal, Marketing, Operations etc. Without such each does what they think the experience should look like or sometimes what's best for their own department. The end result is a disjoint experience. A second reason is the lack of authority of the Head of Customer Experience to implement the changes needed. When the Head of CE goes to the manager of another department and speaks of a better way to serve customers that manager may get defensive as to why are they intruding and teaching him how to do his job or the excuse often is "yes, that sounds good, but I don't have the resources to implement it… I need xyz from another department".

High End Transactional Stage
The path forward goes through overcoming the above mentioned obstacles. The Head of CE needs their word to be heard over what type of people get recruited, what gets measured, what's the basis of people's remunerations as well as to poses some budget of his own and have a say over the operational expenses.
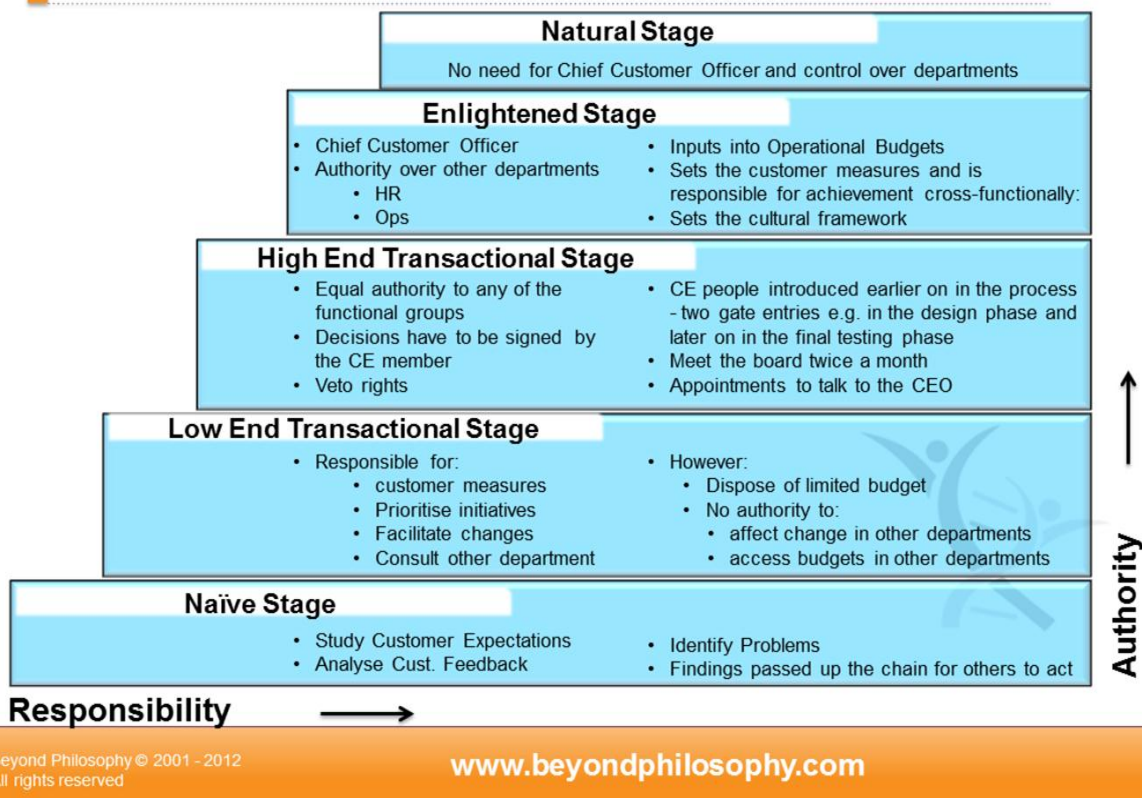
The understanding of senior management and proof from the pilot project that the concept works are crucial for the Head of CE's role to be elevated to a level where he needs to give his stamp on decisions, reports to the board and can easily set-up appointments to meet the CEO, who can play an arbitrage role at times. One of the early goals for the Head of CE at this stage is for his team to be involved in the early and final stages of new product and service development. That way they can have their input in the design of new products/services and the final word when those have passed through all other departments and deviated from the original concept.

Some organisations have taken this even further to the extent where the Head of CE has "veto rights". For example when the company was about to launch a

Fig. 3

Five Stages of Organizational Customer Experience Journey

Natural Stage
No need for Chief Customer Officer and control over departments

Enlightened Stage
- Chief Customer Officer
- Authority over other departments
  - HR
  - Ops
- Inputs into Operational Budgets
- Sets the customer measures and is responsible for achievement cross-functionally:
- Sets the cultural framework

High End Transactional Stage
- Equal authority to any of the functional groups
- Decisions have to be signed by the CE member
- Veto rights
- CE people introduced earlier on in the process - two gate entries e.g. in the design phase and later on in the final testing phase
- Meet the board twice a month
- Appointments to talk to the CEO

Low End Transactional Stage
- Responsible for:
  - customer measures
  - Prioritise initiatives
  - Facilitate changes
  - Consult other department
- However:
  - Dispose of limited budget
  - No authority to:
    - affect change in other departments
    - access budgets in other departments

Naïve Stage
- Study Customer Expectations
- Analyse Cust. Feedback
- Identify Problems
- Findings passed up the chain for others to act

Responsibility →

Authority ↑

new product the Head of CE said that for it to be successful and the customer experience to live up to the standards it needed the full support of the IT department but the IT people said that they couldn't commit the resources required at that stage. Therefore the Head of CE vetoed the decision to launch the product as it would have been rushed.

We have worked with many organisations which have fallen in such traps. In the early stages of development they have been too focused on acquisition and rush to market while the customer matters have been of second tier importance until

they reach an enormous back-log of problems and complaints, customers start to churn at higher rates and a bad word of mouth starts to circulate.

Apple is an example which shows that not rushing in to the market when things are not yet to standards is a strategy that pays off. For example, when Steve Jobs was about to launch Apple Stores, he and his store guru, Ron Johnson, suddenly decided to delay everything a few months so that the stores' layouts could be reorganized around activities and not just product categories[1].

A similar thing happened as Jobs and Jony Ive, Apple's industrial designer, were finishing the iPad. At one point Jobs looked at the model and felt slightly dissatisfied. It didn't seem casual and friendly enough to scoop up and whisk away. They needed to signal that you could grab it with one hand, on impulse. They decided that the bottom edges should be slightly rounded, so that a user would feel comfortable just snatching it up rather than lifting it carefully. That meant engineering had to design the necessary connection ports and buttons in a thin, simple lip that sloped away gently underneath. Jobs delayed the product until the change could be made[2].

Enlightened Stage

The key characteristic of this stage is the existence of a Chief Customer Officer. A study published by HBR shows that the name can vary e.g. Chief Experience Officer (at Signa), Executive Vice President Member Experience (at USAA), Chief Global Customer and Marketing Officer (at Dunkin' brands) but the essence remains the same. The elevation of this role comes as organisations realise that in the ever more connected customer environment in order to continue growing they need to be more focused on the customer than ever before. Prior to that role the case usually is that operations are focused on products and services, finance on collecting payments, sales on meeting short-term revenue goals but no one is looking after the customer.

However if your organisation just want to follow the trends and decides to skip a stage and appoint a Chief Customer Officer, you might be setting yourself for failure as there are three important pre-conditions for this role to succeed: 1) a strategic mandate to differentiate based on customer experience (which 92% of telecom executives say is the goal of their organisation); 2) a portfolio of successful projects to create buy-in and start the CE cultural change (accrued during the Transactional Stage) and 3) an uniform understanding and support of the board for what the position can accomplish[3].

In our research amongst 40 Telecoms we did not come across one that has introduced the role of Chief Customer Officer yet but we also didn't come across a Telco that is admired and considered as a true role model by others in the

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[1] http://hbr.org/2012/04/the-real-leadership-lessons-of-steve-jobs/ar/6

[2] Same
[3] Same

industry. Therefore Telecoms need to look outside the industry for best practices. Companies like Philips Lighting, FedEx, SAP as well as the above mentioned USAA and Dunkin' brands have already implemented this role.

Natural Stage
Finally if you reach the natural stage, where the DNA of the customer is embedded within the organisation, employees have a natural understanding of the customer needs and emotions, and the senior leadership is putting customers in front of short term profits then you won't need the role of Chief Customer Officer anymore nor a dedicated customer experience department.

II. Organizational challenges to CE – how to overcome silos?

We all know a lack of coordination between an organization's departments can be one of the key factors in causing a poor Customer Experience. 70% of the respondents in our research said that "silo mentality" is one of the biggest organisational hurdles. As the end to end Customer Experience touches many parts of the organization this is one of the key challenges an organization faces.

Fig. 4

What are the biggest organizational hurdles to improving the Customer Experience?
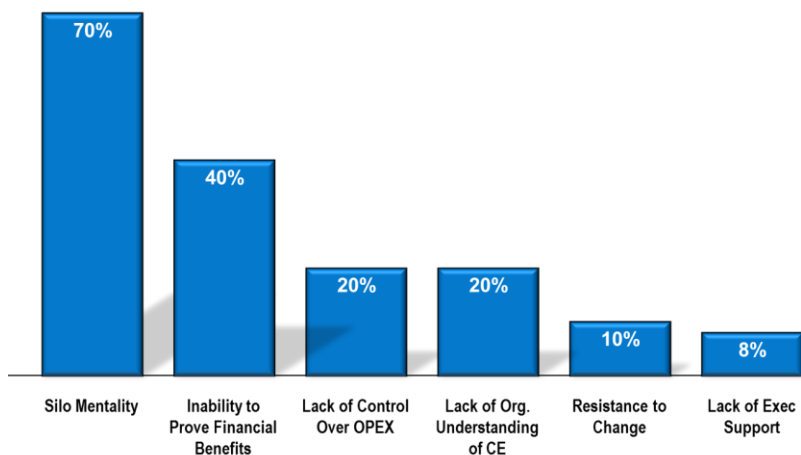
Here are Colin's advices:

I always remember speaking, a number of years ago, on the same platform as Tom Peters. I always remember Tom saying 'any organization of over five people is too big'. Clearly this was an intended exaggeration but his point was sound. When you get more than 5 people complications set in. Lack of communications, politics, etc. People are tribal. Sales don't like Marketing and vice versa. Operations think they do the real work, everyone hates Finance! People are naturally focused on their own department, their own problems, their own job and their own status….don't even get me started on company politics! Whilst most people will be mildly interested in the problems other parts of the organizations are having, they are totally focussed on what affects them. Therefore, one of the key issues to drive a great Customer Experience is the need for organizational alignment. Aligning the measures, actions, focus, etc is

critical. But whose job is it to do this? Who looks at the overall experience of the Customer?

Earlier we spoke of the role of Chief Customer Officer and clearly there are many Customer Experience teams now. I don't intend going into these roles but suffice it to say, it is vital for any organization trying to improve their overall experience to have someone who has the responsibility and authority to do so. They must then establish a mechanism and infrastructure where the review of the total end to end experience can take place. Without this the experience will be uncoordinated and will incur additional costs.

As one of the very first dedicated Customer Experience Consultancies in the world we have seen many methods being deployed over our ten years. The best mechanism we have found is to establish regular 'Customer Experience Councils'. The purpose of these councils is to bring together key people across the organization to review the 'end to end' experience.

One of our clients, Maersk Line, one of the world's largest container shipping companies, at our recommendation the firm gave regional divisions the option of putting regional Customer Experience Councils in place. The 55 regions that have set up local councils also received a three-day training course in customer experience improvement methods. The firm then did a study comparing regions with and without a council. The result: participating local offices score 10 points higher on their NPS than those offices that opted out. Clearly the Customer Experience Councils have been just one part of an overall solution that we have been working with them on but Maersk Line have improved their Net Promoter score by 40 points in 30 months. A fantastic achievement! Forrester were so impressed they wrote a case study on this[4].

What does a Customer Experience Council look like? Ideally this is chaired by the Chief Customer Officer, or the leader of the CE team.

The objective of a Customer Experience Council is:

Bring together all departments who impact the Customer Experience

Work as a team to improve the end to end Customer Experience

Ensure everyone understands the inter-dependencies between departments and the effect on the Customers Experience

Identify gaps and overlaps

Ensure everyone is creating the desired experience.

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[4]

http://www.forrester.com/Conversations+With+Customer+Experience+Leaders+Maersk+Lines+Jesper+Engelbrecht+Thompson/-/E-WEB8343#/Conversations+With+Customer+Experience+Leaders+Maersk+Lines+Jesper+Engelbrecht+Thomsen/quickscan/-/E-RES60393

Review Customer data and measures when making decisions to improve the experience

Prioritize activity

Who should attend?

Any part of the organization that affects the Customer, including outsourced suppliers.

In terms of personnel, this should be attended by people senior enough to make decisions and stick by them. They need to be able to understand the issues and understand the implications of any decisions being made.

What type of issues should be discussed?

1. *Understand and record the end to end journey of a Customer not the organizations process.*
2. *How the organization is performing against their Customer measures.*
3. *How to align measures?*
4. *What can be done to improve the Customer Experience?*
5. *How the individual departments are performing against their Customer measures?*
6. *Deciding on initiatives to improve the Customer Experience.*
7. *Prioritizing activity.*
8. *What is best practice?*

Typical Agenda:

1. *Actions from last meeting*
2. *Results of overall Customer satisfaction measures*
3. *Reports from the various departments on their Customer Satisfaction measures and what they are doing to improve the Customer Experience*
4. *Ensuring best practices are being cross fertilized*
5. *Review of current initiatives/programs*
6. *Review Customer measures*
7. *Prioritization and planning of future initiatives*
8. *Review of any Customer research taken place*
9. *AOB*

By stabilizing this process people start to see the whole Customer journey and realize the impact they are having on the overall experience of the Customer. Through the right measurement, overlaps and gaps can be identified and

opportunities to improve the experience can be worked on. Finally, it is a signal to the rest of the organization that the Customer Experience is important.

We would highly recommend that all organizations implement this type of structure. It is not the entire answer by any means but goes a long way to being part of the solution.

III. What is the Customer Experience Telecoms are trying to deliver?

Fig. 5

Would your front line people be able to articulate what is the experience you are trying to deliver?!
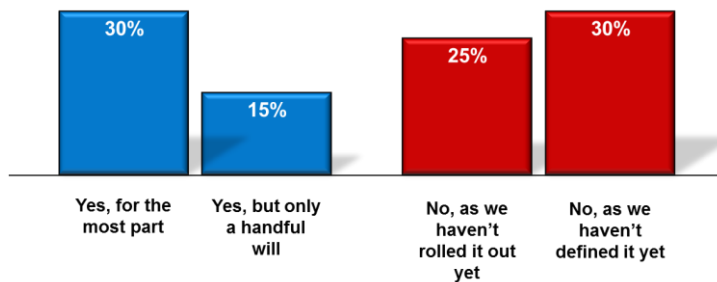
Now imagine that you have followed our advices above and you have overcome the organisational silos. And so everyone is on board with the customer experience and wants to do provide a good customer experience. However what one thinks a good experience for their customers would be and what another thinks might be two completely different things. Since every bit of the organisation impacts customers and business value one way or another it is crucial that all departments share the same understanding of what is the experience to deliver. Just like sailors used the North Star as guidance to stay on course, organisations need to define the experience they want to make manifest and use it as guidance in their daily decision making.

As you can see on figure 5, one of the reasons Telecoms are not renowned for providing a good customer experience surely has to be that only 30% of the organisations we interviewed believe their front line people would have an understanding of what is the experience they are trying to deliver.

The need for what we call a Customer Experience Statement (in some organisations this may be found in the form of Customer Manifesto, Charter, Promise etc.) would arise naturally as the customer experience moves from pilot projects to a program or strategic imperative and more people get involved.

Involving various stakeholders and people from all levels when designing it is important to get the organisational buy-in. Often organisations we have worked on have made internal competitions for who's to come with the best design for the Customer Experience Statement. Having a visual representation of the Customer Experience Statement makes it easier for people to grasp the main

idea even if not able to recall the exact words (as is often the case with the numerous organisational values).

See below the Customer Experience Statement of Maersk Line, the company we mentioned earlier that improved its NPS by 40 percentage points.

Fig. 6
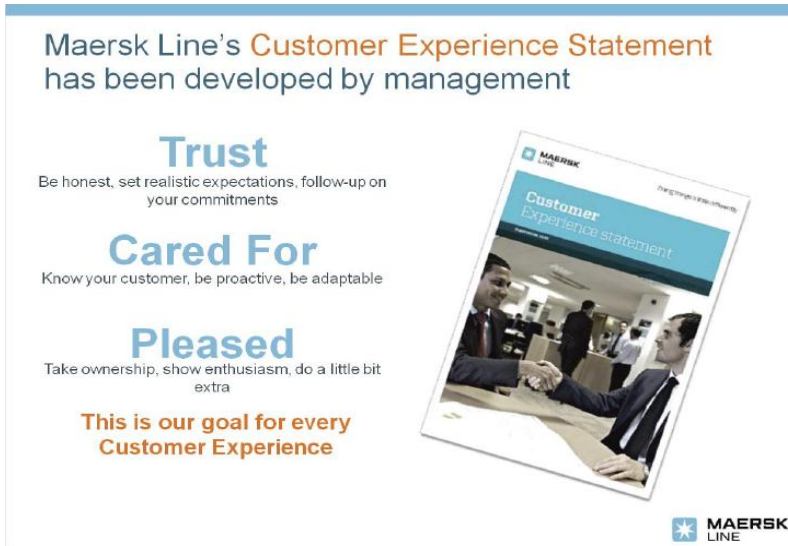
The company chose to centre its Customer Experience Statement around those emotions in order to mark the transition from treating customers as a transition to being emotionally intelligent and caring for their customer's emotional being.

Defining the Customer Experience Statement is only half of the job done. You need also to:
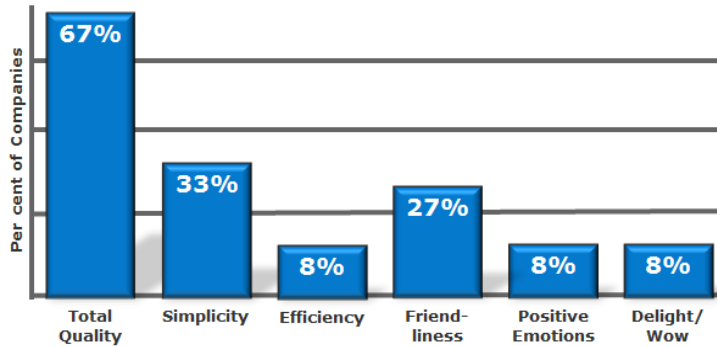
- Think of the implications to make it happen
  - e.g. if trust is important for you but at the same time you have pens on chains that doesn't send the right signal.

- Roll it out across the organization
  - Good way to do that is by creating a leaflet where you have defined what each of the elements of the statement / manifesto means in practice e.g. do's and don'ts

- Use it in:

  - decision making

  - training

  - recruitment

  - assessment

This last point is very important as you need to help everyone understand how they can manifest the CES in their day job and provide them with clear metrics. If you chose that you want the experience you provide to be "fun" or "people to love doing business with you" you need to measure how often actually people used those words to describe their interaction with you.

BEYONDPHILOSOPHY
Building Great Customer Experiences

IV. How emotions are emerging as a competitive differentiator?

*Fig. 7*

Which of the following elements describe best the Customer Experience you are trying to deliver?

We asked those companies that have defined the experience they want to deliver (*Fig. 5*) to describe the elements that best characterize it. You can see on *Fig.7* on the left that 67% of the telecoms said it's about "total quality", 33% said it's about "simplicity" and further 8% said it's about "efficiency". Having worked in this domain for quite a while we know that what these terms mean is actually "fixing the basics". Organisations focus too much on rolling out Voice of the Customer (VOC) programs, looking at what people say are the reasons for complaints and implementing Lean and Six Sigma initiatives whose primary objective is cost-cutting.

Fig. 8
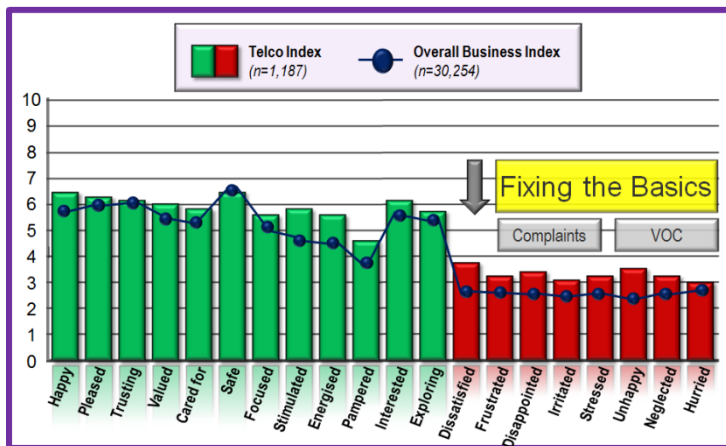
As all of these are more or less focused of controlling the negative emotions (i.e. reasons to complain) organisations get better at doing that but don't think enough about building positive emotions into the experience. *Fig.8* is an evidence of this.

What you see on the baseline are 20 emotions that we know drive or destroy business value. Back in 2005-2006 we did 2 years of research alongside academics from London Business School and several other leading UK universities and we found the 20 emotions that impact value businesses are interested in e.g. Customer Satisfaction, Recommendation, Spend etc. On the left you see the scale, where 0 means "not felt at all" and 10 means "highly felt". What you want to see is the green bars (the positive emotions) as high as possible and the red bars (the negative emotions) as low as possible. Those bars stand for our Telecom Index. During the years of work with various telecom companies we have collected customer data and this is the aggregate emotional profile for the sector.

We benchmark that against our Overall Business Index (the blue line with bubbles that crosses the bars), which is an aggregate of over 30,000 customer interviews. As you can see from *Fig.8* the Telecom sector is doing a slightly worse job at controlling the negative emotions vs the average business and are more or less on par when it comes to evoking positive emotions. We have to remember though that most businesses are not providing particularly good customer experiences. Therefore focusing on the positive emotions and designing your experience to intentionally evoke certain positive emotions could make it not just more enjoyable but also a lot more memorable and spur word of mouth. As they say "people may forget what you did, or what you said, but not how you made them feel".

Before you go to your executives though and start talking about customer's emotions you need to educate them a bit, show them some research based evidence that this approach will result in $$$ and present some case studies from other organisations. What has also worked for some organisations is a custom "safari" where senior managers get to visit and hear from first hand stories about how other "enlightened" organisations have done it and the financial uplift that they have achieved.

Some telecoms already started to focus on the emotional side of the experience!

During our research, one of the largest European telecoms told us that they started to operationalize evoking of planned emotions in the experience. For example, the rise of smartphones use, meant for them, just like for many other telecoms, increased call centre traffic with questions like "how do I do X". But this telecom operator found that senior people felt embarrassed when they rang up as young agents treated them as stupid. They thought about customers' emotions and now when elderly smartphone users call their call centres with a question "how do you do X", the agent says "well I don't know that myself, let's find out together". This immediately builds an emotional connection with the customer, something that very few call centres manage to do.

That Telecom also realized B2B customers on the other side needed reassurance e.g. just someone to check at the end on the call that they get what they needed. If you think about it, when you deal with businesses on behalf of your company, often at stake are your reputation or even career. Having in mind that many people go to bed and wake up with their work in mind it is no surprise that our database shows that the B2B experience is more emotional than the B2C experience. By deliberately planning to evoke "reassurance" in their customers, that company decided to address their emotions.

This European telecom is not alone though. In one of his recent blogs Colin also reports that senior people in Comcast (Cable operator in USA) and Tellus

(Canada) presented in a conference in Miami about how they are starting to use emotions as a key differentiator.

V.   What are the leading practices in Journey Mapping?

In our research we found that most Telecoms were starting to look at Customer journeys but from a very superficial point of view. We know that over 50% of a Customer Experience is emotional and yet the emotional aspects of the Customer Experience are being ignored by the Telecoms industry. This is quite ironic as people form such an emotional attachment to their mobile phones, which they buy not just for their functionality (the rational aspects of the experience) but moreover on the emotional aspects of the experience. To then go a stage below this again telecoms ingonore the subconscious aspects for a Customer Experience.

Over millennia humans have developed a complex set of emotions to help us deal with our enviroment. For example, have you ever had the feeling that something is wrong as you walk down a darkly lit street? This is your subconscious mind gathering many signals such as - it's late at night, the area is rough, you heard something behind you, or maybe you recall a news item of a mugging in a similar area. Our subconscious mind gathers these facts and the emotion of 'fear' is generated. As you 'feel' this emotion you 'decide' to stop walking down the street. This all happens in a split second. Therefore emotions can be generated by seeing subconscious signals.

So what has this to do with the Customer Experience? The answer is everything. Organizations give out subconscious signals to customers every day that evoke emotions including frustration, mistrust and feeling 'valued'. It is important that when undertaking Customer journey mapping you understand the 'decision' that a Customer takes is sometimes an automatic response not a cognitive thought. The decision is 'programed'. Damasio, a leading authority on human emotions uses the example of walking to a cliff's edge. We don't have to consciously say stop, we stop 'automatically' as we are programmed to see the danger and take the action. As Damasio also outlined the action could be for an opportunity. If we are hungry for food or if we are attracted to someone and we then start changing our body language without even knowing we are!

So how do you apply this to Customer Experience? Let's assume you wish your Customers to feel 'cared for' by your organization. What signals are you currently giving that are opposite to this? What conscious and subconscious signals can you design into your Customer journey map to evoke this as a deliberate emotion? We use a process called Moment Mapping® for ten years which we talk about in a webinar called 'See What Your Customers See: Mapping Your Real Customer Experience'.

We would therefore advocate that when you are undertaking journey mapping that you are only looking at the rational side of the Customer Experience then

you are looking at the action, the symptom, not the cause, the emotion. To really affect your Customer Experience you must undertake journey mapping at this deeper level, it is vital that you look at the rational, emotional and subconscious experience.

VI. What is the most effective way of prioritising your CE initiatives?

Fig. 9

What plays the biggest role in deciding where to focus your efforts on improving the CE?
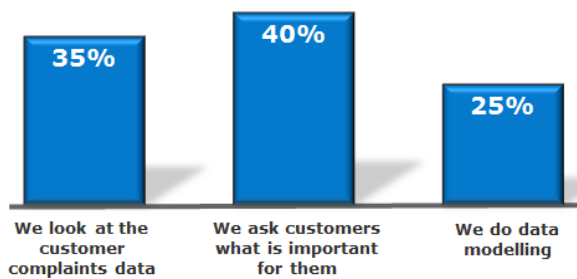
The next hypothesis that we looked to investigate, trying to understand where do Telecoms go wrong as they allocate the most resources to the CE and yet are not renowned to provide a particularly good CE, was how they decide where to focus their CE efforts.

35% of the participants in our research said that **they mostly look at the customer complaints**. That is not a bad place to start but as we discussed in the previous pages (see *Fig.8*) what that means is diminishing the negative emotions evoked. If you want to look at the positive emotions as well and build more of those in the experience you need to look at people's compliments as well. We've asked a Telecom we worked with what do they do with the complaints in their call centre and what followed was a long speech of the rigorous process and measures in place. We then asked what do they do with the compliments and what followed was a silence…

Looking at the compliments is as insightful as looking at the complaints. You need to try to replicate on a consistent basis (if feasible) those interactions that led to people praising their experience, share those stories internally so that more people feel encouraged to go the extra mile, and review your internal rules to see if any are preventing your employees from providing a personalised and exceptional experience. Those are the king of stories that spur the word of mouth and create active promoters.

40% of the participants said that they **ask customers what is important for them**. This could lead potentially to a huge waste of resources. It is also the reason why it took so long for customer experience initiatives to take off internally. Executives were sceptical that doing what customers say they want would be beneficial and many projects on this basis failed to deliver. For example, one of our clients was trying to increase customer satisfaction and asked their customers, through traditional methods, what else they could do to

make them more satisfied. The customer research highlighted that the implementation of a web-based billing system would increase customer satisfaction. After spending £3m on implementation, the customer satisfaction did not increase at all.

But one of the biggest failures in corporate history on the back of customer feedback comes from Walmart, who lost $1.85 billion from revenue alone[5]. Customers answered a Walmart survey and said they would prefer less clutter in the stores. Walmart spend hundreds of millions of dollars uncluttering their stores, removing 15% of inventory, shortening shelves, clearing aisles. Revamp not only removed items but cost millions per store in refurbishment costs. As a result same store sales year on year declined sharply. The lost of revenue over the course of 8 quarters was $1.85 billion. What did Walmart get wrong? They relied on what customers said in a survey versus what they actually do in the stores (and online). Traditional surveys and focus groups bring out only what's easy to verbalize; and what's easy to verbalize is not necessarily what would drive value for the company.

At Southwest Airlines, executives are aware of this. Customer surveys showed that people wanted reserved seating, inter-line baggage transfer, and food service. Yet executives refused to do that (apart from providing limited semi-reserved seating). Why? Here is what Herbert Kelleher, Chairman and co-founder of Southwest Airlines, explains: "marketing people asked the wrong question. They should have asked, would you pay $100 more for inter-airline baggage transfers? $50 more for reserved seating? No, the customers wouldn't have. They valued on-time, low-cost flights, and that is what Southwest delivers".

Land the plane, push the people out as fast as you can, tidy up quickly, with everybody pitching in: cleaners, flight attendants, pilots, and rush the new people in. Don't use assigned seating because in its absence, customers run into the airplane, hoping to grab a good seat fast. Minimize turn-around time and you need less airplanes, less crew, less expense.

This shows the value of forcing customers to choose what they value the most. There is a relatively new research technique pioneered in the 90's by Prof. Jordan Louviere, now at the University of Technology, Sydney. The research technique is called Maximum Difference Scaling [6] (MaxDiff) and requires customers to make a sequence of explicit trade-offs. Researchers start with a list of 10-40 brand or customer experience attributes and those are presented to customers in sets of four or so. Customers have to select the most and least important ones for them. This is more like the real world than if only two choices were presented at a time. Using this algorithm (Max Diff) you can rank order attributes' desirability on a relative scale.

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[5] Source: http://dailyartifacts.com/walmarts-185-billon-dollar-mistake
[6] Source: HBR: "What customers really want", April 2009

However this still gives you just one side of the dimension e.g. what customers say they want. And we said earlier that what's easy to verbalise is not necessarily what really drives the customer behaviour. There are subconscious and emotional factors that also affect our decision-making. For example, there was an experiment made in a wine store, where they played French music one day and the sales of French wines went up by 5:1. The next day they played German music and again the sales of German wines went up by similar ratios. Yet when they asked people outside the store why did they buy that wine, people attributed their choice to the quality of the wine.

Fig. 10
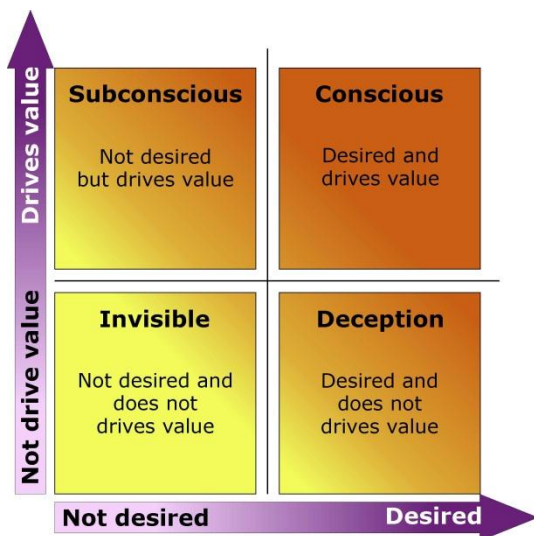
The second dimension that one needs to look at is what actually drives business value (see *Fig.10*). This is where the data modelling comes into play. Essentially this is using sophisticated statistical methods to go beyond what people say. When you overlay the results of the modelling (i.e. what droves value) with those from the MaxDiff (i.e. what is desired) you can sort the aspects of your company's experience or the brand into those 4 categories. And by value we mean the consumer behaviour that the company is interested to drive (i.e. likelihood to recommend, satisfaction, loyalty, spend etc.). It could also be a mixture of these and some brand attributes i.e. some businesses want to be perceived as "caring", "trustworthy", "innovative" and so forth.

So conscious attributes would be those that customer say they want and also drive value. Invisible would be those that that were a lot less desired by customers and also didn't drive value. That category would be primary candidates to control costs. It is the other two categories that are most interesting and some that many businesses are not aware of.

The deception category is where we have aspects of the experience that people say they highly desire but don't drive value. For example we worked with a telecom in the Middle East and when we did the research network reliability, quality and speed of network problem resolution came in as the most desired by customers aspects of the experience. However, when we did the analysis of the data we found that there were other aspects of the experience that would drive value for the company. Those were things like "the company keeps its promises", "the feeling of relationship with the company", "seeing the company as setting trends" etc. If you think about it, if there wasn't network our phones would useless, so in that sense it's no surprise that network is what people want most but it's also something we take for granted. It's like a commodity. Moreover that is also something that could be influenced by the perception of

the brand. For example, research amongst customers in the UK found that Virgin Media customers would rate their network better than those of T-Mobile customers even though that Virgin use T-mobile's network. Similarly First Direct's (UK phone and online bank only) customers rate their ATMs higher than HSBC customers even though First Direct don't have ATM's and use those of HSBC.

These results came as an eye opener for the company as they had been very focused on building the network since their launch and to improve it further would have had to invest heavily into more equipment and technicians units to react quickly on any problems. Instead they saw that there are other aspects of the experience, things customers didn't point as particularly important but we found to be subconscious drivers.

25% of the Telecoms we interviewed said that they **do data modelling.** However from our practice we know that in most cases it comes down to correlations or simple regressions and they do not take into account customer's emotions. Not considering the emotions means they are leaving 50% of the experience out of the equation and may lead to a sub-optimal allocation of resources[7]. We would encourage more to use Structural Equation Modelling Knowing what people really want and what drives value for you as a business

Fig. 11
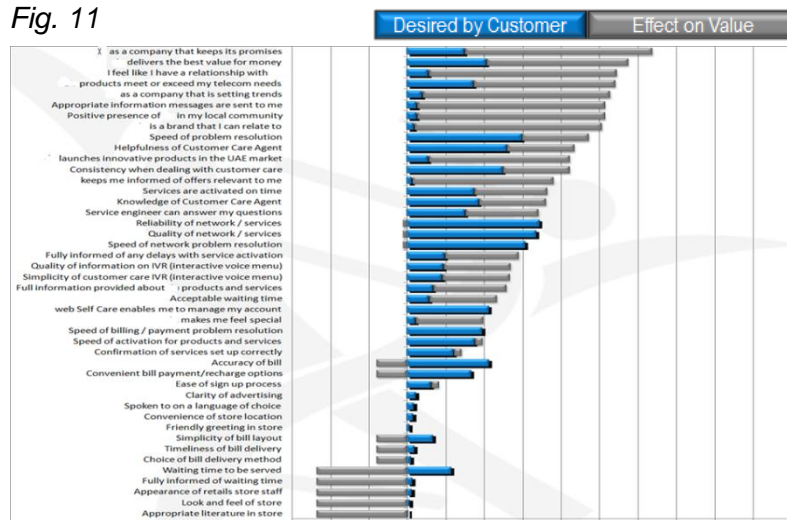
would allow you to prioritise the aspects of your experience you need to work on (see *Fig. 11* on the left). This will also arm you with statistical evidence in support of your case when you face the finance department. The next thing you need to consider is how much it would cost you to improve each of the top attributes but we've

always said that there is an expensive way of doing things and a more simple and cheap way of doing those and that's where true CE masters excel.

VII. How to build a business case for CE initiatives?

When it came to justifying the business cases for CE we saw a mixed picture with a variety of methods but there were also some respondents that said they do not have mechanism to build a business case for CE initiatives. Some just

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[7] See "Why we must measure emotion" by S. Walden and Q. Dibeehi; http://www.research-live.com/magazine/why-we-must-measure-emotion/4003434.article

base it on intuition that that's the right thing to do which is admirable to an extent, but it's a trait of the early stages of CE maturity. To an extent the first two rankings (i.e. "cost savings" and "decreasing customer churn") are also typically seen in the early stages of CE maturity.

Fig. 12
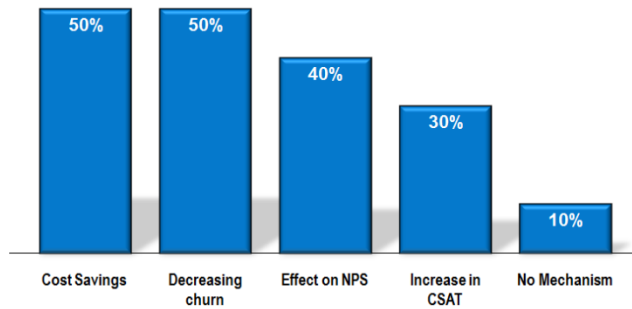
As we mentioned at the beginning of this paper, Telecom's have always been focused on **cost cutting** and it's no surprise that that's the **primary basis for CE business cases**. Indeed having a good customer experience will have a positive impact on your bottom line and that's a legitimate case for a CE initiative but as we made the case in chapter IV and with figures 7 and 8, what businesses tend to do is focus on reducing the reasons for complaints, reduce the negative emotions and cut costs that way. As we said this by itself if not enough to differentiate or for customers to rate particularly higher your experience.

Decreasing churn or increasing customer loyalty / retention is the other most used basis for CE business cases. In some instances these business cases are based more on intuition rather than numbers as logic says that if you improve your experience people should have fewer reasons to leave you but we spoke with quite a few telecom customer experience professionals who said that till date they haven't found a connection between the customer experience and the retention figures. The good thing about retention is that it is easy to measure and they have a figure for each and every customer.

Next comes the **effect on NPS** (Net Promoter Score or likelihood for customers to recommend that company). Telecoms started to keep track of their promoters and detractors and can show how much each spends with them, or link those results to the retention (i.e. for example being able to say that 80% of our promoters renew their contract with us vs just 60% of our detractors, or that promoters spend on average "x" amount more than detractors or are much more likely to get another product from us etc.).

See *Fig.13* below for a way to calculate how much are positive referrals worth to your bottom line. You could similarly calculate how much are negative referrals
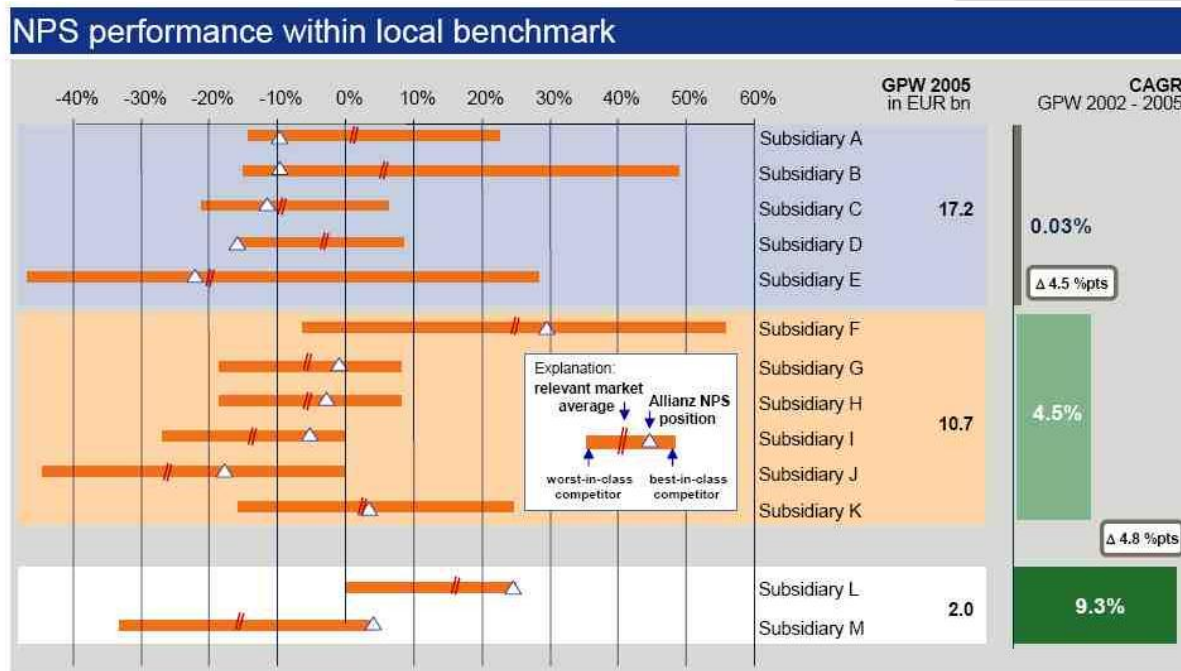
Fig. 13
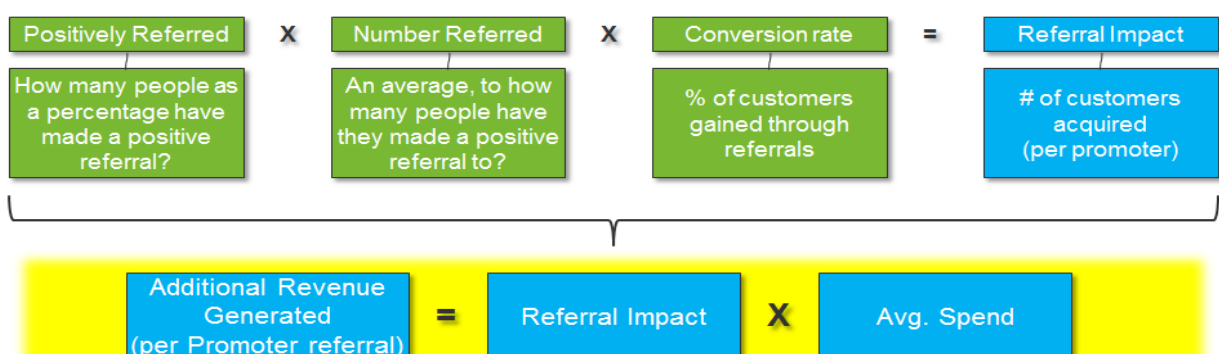
impacting your bottom line.

If you are one of the international telecoms with operations in many countries a way to prove the case for customers' experience would be to link the Net Promoter Score vis-a-vis the competition in the different markets with organic growth. See how Allianz used NPS to prove the case (*Fig 14*).

Fig. 14

Source: Allianz 2006

When their NPS score (the white triangle) was below the average for the market (marked with "//") they only green by 0.03%. When their NPS score was above the competitors' average but below the top competitor's they grew by 4.5%. When they had the highest net promoter score amongst all insurers in that particular market they grew by 9.3%. We see a lot of similarities between the insurance business and the telecoms, especially when it comes to renewing contracts that come with a new free phone.

Some companies are using correlation or regression to calculate the effects of some of the attributes of the experience on the NPS and plotting those on a graph that also look at how they are customers currently rating that attribute. That's a more advanced way to build your business case but as we said in the previous chapter it doesn't take into account your customers emotions and is too far from the complexity of the real world.

Interestingly more telecoms professionals have said that they build their business cases on Net Promoter rather that Customer Satisfaction (CSAT) (see *Fig.12*). It looks like after Telecom's have been measuring CSAT for so long now it's slightly falling out of fashion.
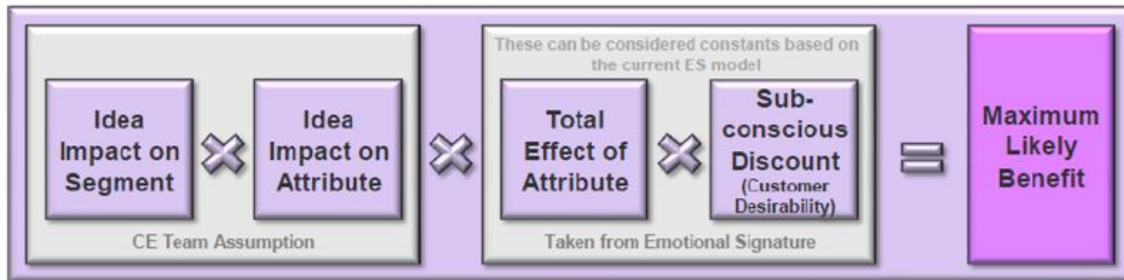
Our way of building a business case on a CE initiative is based on the results from the Structural Equation Modelling (SEM). The SEM analysis is a type of **predictive modelling** that shows you the expected change in a customer

Fig. 15

Experience Economics Model Basic Set-up

Recommendation	Percent Improvement	New VI Rating	Satisfaction

SUMMARY	OVERALL			Recommen-dation			Satisfaction			Preference			Tenure Loyalty			Brand			Value for Money			Behavioural Spend			
	AVG Current VI Rating	AVG Percent Improvement	AVG New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current VI Rating	Percent Improvement	New VI Rating	Current Average Spend	Percent Improvement	Estimated New Average Spend	Estimated Marginal Revenue
Platinu	5.3	7.3%	5.7	5.7	5.1%	5.9	5.0	11.4%	5.6	5.3	2.8%	5.4	5.9	4.2%	6.1	5.6	2.5%	5.8	5.3	17.9%	6.2	808	80.47%	1,458	78,026,458
Gold	4.9	8.1%	5.3	4.7	8.1%	5.1	4.7	8.8%	5.1	5.2	2.1%	5.3	5.1	9.4%	5.6	4.9	10.1%	5.3	5.8	10.1%	6.4	291	4.39%	304	3,834,650
Silver	6.4	7.1%	6.8	6.5	8.9%	7.1	6.0	9.4%	6.5	6.1	9.2%	6.7	6.9	4.1%	7.2	6.7	5.6%	7.1	6.7	0.3%	6.8	36	10.86%	40	13,679,494
Bronze	4.4	2.9%	4.5	4.5	2.6%	4.6	3.6	3.9%	3.8	4.4	2.4%	4.5	4.5	2.7%	4.6	4.7	2.5%	4.8	4.9	2.6%	5.0	4,217	0.60%	4,242	363,463
New	4.4	7.0%	4.7	4.5	2.4%	4.6	3.6	13.0%	4.1	4.4	11.7%	4.9	4.5	8.2%	4.9	4.7	2.8%	4.8	4.9	1.8%	5.0	54,428	0.59%	54,751	309,725
Total	5.1	6.5%	5.4	5.2	5.4%	5.4	4.6	9.3%	5.0	5.1	5.6%	5.3	5.4	5.7%	5.7	5.3	4.7%	5.6	5.5	6.6%	5.9	Total Additional Rev.			96,213,791

behaviour businesses are interested to drive (e.g. Recommendation, Customer Satisfaction, Tenure as well as Spend based on actual customers' spend data). The next step in building the business case is to look at the particular initiative and estimate its impact on the aspects of the experience. That impact is multiplied by the effect on value of those attributes and we get the expected benefits. Compare those against the costs of the various initiatives and you have your Customer Experience ROI model (see *Fig. 15* above).

BEYONDPHILOSOPHY
Building Great Customer Experiences

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About Beyond Philosophy

Founded in 2002, Beyond Philosophy is a leader in helping organizations to create deliberate, emotionally engaging Customer Experiences that drive value, reduce costs and build competitive advantage. Specializing in strategic consultancy services, custom research, training and education, the company's thought leaders have also pioneered new methods of analyzing both the rational and emotional sides of the Customer Experience. Beyond Philosophy's four internationally bestselling books – *Building Great Customer Experiences*; *The DNA of Customer Experience*; *Revolutionize Your Customer Experience*; and *Customer Experience: Future Trends and Insights* – are available through the company's website or through any bookseller.

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