

Customer Relationship Management

WHERE DID IT ALL GO WRONG?

Customer Experience – how can it work? Alan Pennington believes that those who take the ‘leap of faith’ are increasingly recognising that becoming more customer centred is not a project with a start and end date but rather the start of a journey which will have staging posts but no end date.

Why did the great customer relationship management hype and expenditure of the 1980’s and 1990’s not deliver the return on investment, in terms of sales or customer loyalty, upon which it was predicated and vast sums were gambled?

The principles behind hundreds of corporate programmes were, and remain, solid – namely creating value and loyalty by understanding customers better and varying the experience of customer groups based on varying definitions of ‘value.’ Yet the benefits have, for many, failed to materialise. The technology platforms in which so many firms invested heavily are both robust and immensely flexible in terms of capability, whether in improving sales force communications or enabling a single view of the customer.

Boardrooms were sold on the potential benefits of efficiency, customer retention and loyalty through customer intimacy and approved these significant investments. But as a result customer programmes became huge, all embracing, enterprise-wide systems developments encompassing front and back-end processes and technology, with swathes of data and multiple databases.

Many commentators now believe that the dominance of software vendors as the driving force, plus the enterprise nature of many customer programmes, led to huge spend levels being attached to the CRM label, and to a resulting no win position. The huge spends on technology alone required massive turnover increases to produce any meaningful return on investment.

Consider for a moment the incremental revenue or attributable retained revenue which would be required to substantiate a £50 million investment for a company operating at a net operating profit of 10%.

Software vendors lead corporates up the garden path?

This is an easy answer and has some validity, but it is unfair to lay all the blame at the door of the software vendors. To do so ignores the business issue at the heart of most of the failures. Highly experienced business men and women got carried away with the hype and the wave of optimism that surrounded something that promised almost magical abilities to resolve business problems.

Executives who would normally be much more exacting threw caution to the wind in the race to get ahead of the curve. They failed to understand what they really needed the technology to do in order to optimise their customer experience and they failed to recognise the huge cultural and people implications of their investment.

In simple terms many rushed out and bought the Rolls Royce when in their market they only needed the Mini to get them underway. In terms of technology they were unable or unwilling to take the time to specify their immediate need in customer terms or to predict the future requirements in terms of potential scale and capability improvements.

With data they went for as much as they could get and created unusable warehouses, They overlooked

the fact that people and culture are critical to deployment and so no real account was taken of the lag effect which would affect the ability to deliver in real terms.

When considering benefits the focus was on what a customer programme would deliver in terms of internal results, usually epitomised by efficiencies through technology and lean processes. But all too often lean process work drove out cost but took no account of the impact on customers. Little attention was paid to the customer that would drive the changes in behaviour which would ultimately drive sales up. Technology does not buy products or services – customers do.

The legacy of the boom years

The challenges facing businesses today, which are beginning to recognise the opportunity created by putting customers at the heart of their business strategy, are both the weight of history and in too many cases the challenge of changing key totems. This applies not least of all to what and how we measure – something which many see as a ‘leap of faith.’

The effect is that as a company pursues a plan to become more customer centred it reaches a critical decision point – either pull out, frightened by the twin challenges of achieving early return on investment and achieving the required degree of organisational alignment, or revert to a more tactical campaign based approach.

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Those that take the ‘leap of faith’ are increasingly recognising that becoming more customer centred is not a project with a start and end date but rather the start of a journey which will have staging posts but no end date. They also recognise that data and technology components are key enablers and provide some of the foundations - but the end customer needs must be a true driver of activities, behaviours, investments and business results.

The bigger they are, the easier they fall

The greater the scale of the company the more exponential are the potential blockages and limiters of success. Geographic spread, competing divisions, variable levels of buy-in, varying levels of competence, functional silo mentality and many others are all contributors to failure.

The keys to success are strong leadership, a quickly

established and powerful advocate base to act as beacons and share the load, to start small but have a clear plan to scale as the successes come and the capability catches up, to establish customer needs led activity as a key driver and to have a plan to create early successes as part of a co-ordinated roadmap of activities.

These activities often fail because the big picture tends to dominate. What is needed is a quick translation into day to day activities which are relevant to individuals and where they can see they are adding value. Successes need to be felt by both external customers and staff.

Out with the old?

How that success is measured also presents a challenge, especially to businesses that have a long established set of business measures. It is critical to provide measures which align with the required behaviours and focus at each level and functional unit of the business – measures drive behaviours.

This principle does not mean abandoning hard measures in favour of a basket of soft qualitative customer measures. But it does mean being inventive in terms of what is measured or where the focus is placed. In many cases initially no new measures are needed but rather the flexibility to change the area of focus to reflect the business need.

A particular measure may require focus for a few months before it is replaced with another as the objective is achieved, in other words dialling up and down on a range of measures. It also requires the ability to translate the corporate measures through the business in a way which reinforces the end customer impact as a key metric for all.

Do we have a map? Do we know where we want to get to?

In planning a journey it is of course critical to know where you are starting from and to where you want to get. This is another area where many companies have started on the route to failure. Understanding the current state applies to enablers, people, culture and customers and it is only when armed with this information and a clear view of where they intend to get to that a true assessment of both the workload and the required sequencing and prioritising of that work can be structured into a roadmap.

It is critically important to recognise, for example, that whilst adopting a customer centred business strategy will always mean change, the degree to which any business will, or needs, to become customer centred in its approach will vary. Not only that but the levels of investment and the extent to which a company needs to strive towards global best will also vary.

There must be a positive relationship between the adoption of a customer centred strategy and the

commercial impact. This may be influenced in many ways. For example, to have the ability to create the most positive customer service for your customers, you need to understand the competitive landscape which is influencing their perception.

If that creates a low threshold then achieving global best practice levels may be a noble but unnecessarily lofty ambition. Similarly certain aspects of the strategy will have a higher impact on customer perceptions than others. Defining what these are and providing focus means optimal use of resources.

Given these factors it is clear that the more pre-planning a business does the more that the future is de-risked and the more likely a successful deployment of customer centred strategies for all three key stakeholders, customers, staff and shareholders. Importantly it means that decisions in areas of potential uncertainty can be made in a more informed way armed with an understanding of the current state and the future scale of ambition.

The importance of this should not be underestimated. Given upfront evaluation it may, for example, become clear that the scale or cost of the business change may outweigh the business benefit which can be derived or forecast. Indeed in too many cases companies have failed to actually specify what business benefits are expected as a result of pursuing a customer centred transformation.

Life would be much simpler if we didn't have to worry about customers

All too often the thing missing from these strategies is input from the customer and a clear link to meeting needs and delivering noticeable benefits to them. Instead the focus is on what such a strategy will do to benefit the business, usually in terms of sales or business efficiency.

Although these may be entirely appropriate measures they need to be part of a set within a balanced scorecard. For example, most companies measure the success of their customer service teams by the speed with which they answer a call. Implicit in this choice is the assumption that this is of primary importance to the customer. In reality it is rarely the most important to the customer but is a convenient measure for companies in terms of internal efficiencies, time management, and incentives.

But it is much harder to measure first time resolution to the split second. These measures are driven by a mix of accounting rigour and 'internal intuition' which assumes that customers think the same as those working inside the business. Again this is rarely true, and means that you need to really understand your customers by talking to them instead of using staff as a cheap and 'effective' proxy for real life.

Evidence is freely available which demonstrates a gap between what the company thinks is important to

customers and what customers actually deem to be the most important when it comes to making their choices. The failure to understand what is really important leads to customers receiving a sub-optimal experiences and the company sub-optimising its commercial position.

Who's fooling whom?

The role of the brand, both internally and externally, is an area which has lacked focus and analysis. The connection between brand and customer has focused on the marketing push of the brand rather than the

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degree to which the customer actually owns the brand and how that influences the business requirements to meet customer expectations.

In most companies when faced with the question "who owns your brand?" the usual response is the brand/marketing teams or the CEO. Rarely will the answer be the customer. Yet in reality we propose that a company only truly owns a brand up to the point where they go public. Beyond this point the role changes to one of influencing or changing and evolving a brand over time.

Once a brand is lodged in the potential and actual customer 'perception bank' it is much harder to change that view. Once a company has decided what their brand will stand for and set about communicating that to their potential customers, those customers receive a message. They set that in the context of a range of other factors, not least their relevant competitive product or service experiences and supporting channel experiences and that creates the expectation.

Should that potential customer opt to try the product or service they will then measure the reality of that experience against the expectation they have built up. The challenge is to understand that more complex expectations meet or exceed it at every subsequent interaction, regardless of channel or stage in their journey with you. Consistency is the key.

The equally important challenge is to understand if or how that expectation changes based on the stage of a customer interaction with you, and how the experience needs to vary to account for this and to optimise it. ■

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