

# Putting Customers First



Businesses everywhere are under pressure to give up the 'make and sell' model, fearful of digital disruption. But while they concede the importance of improving the customer experience, the path to transformation can seem like an impossible journey: can businesses ever hope to keep pace with their customers?

The top worry that keeps most Canadian CEOs awake at night?

The answer, surprisingly, is customer loyalty, according to a just-released KPMG study, which goes on to explain, "Keeping up with customers' needs and wants can be daunting".

The inability to keep pace with the expectations of customers is at the heart of digital disruption. It has forced marketers to question everything they know, or have ever known, about the practice of persuasion. It has led to the loss of media control, the atomization of audiences, rampant ad avoidance, and transient loyalty - all traceable back to the rapid expansion of social commerce, the mobile web and the expectation of zero latency. The story of this century so far can be summed up as 'free and now' - going forward, it will be 'help me now'. Contextual relevance will eventually become the new battleground for customer loyalty.

That is why the connected customer is finally a hot topic of conversation in corporate boardrooms. According to that KPMG survey, three quarters of Canadian CEOs fear disruption in the next three years - but are unsure what to do about it. This sense of foreboding is more than simply a feverish reaction to change: it is a concern born out of a mounting casualty rate. They can see what happened to the music business - the travel industry - to publishing, entertainment and broadcasting - now the retail trade - soon, financial services. Even more alarming: they watch the next generation using Snapchat as their preferred way to connect. At that point real panic sets in: they have seen the future and it is likely to be ad free, with the rules of the game dictated by customers.

The truth is: Marketers can no longer rely on persistent interruption to catch the fleeting attention of distracted audiences; sales can no longer expect to generate interest without first being seen as problem solvers; organizations can no longer manage their reputation simply on the basis of what they say about themselves.



Before embarking down the transformation path a business must decide how fast it wishes to move through each stage of customer experience maturity.

The connected customer is simply too informed, too skeptical, and too susceptible to the influence of social media to pay much heed to brand messaging. All of this has put pressure on businesses to give up the ‘make and sell’ model. But the question is: what should take its place?

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What marketers have to finally realize is that the key moment of truth is not when customers are about to buy for the first time – *it is when they are ready to buy again*. The only true differentiator between one brand and another is the quality of the experience in that crucial corridor of time between first and second purchase: how simple, helpful, different and meaningful it has been. Companies must deliver the information customers want, when they want it. They must make the act of buying frictionless. They must provide value with every interaction. And they must make the brand more integral to the lives of customers in order to remain visible. In short, there is only one way that brands can earn the right to be heard: by putting customer needs first.

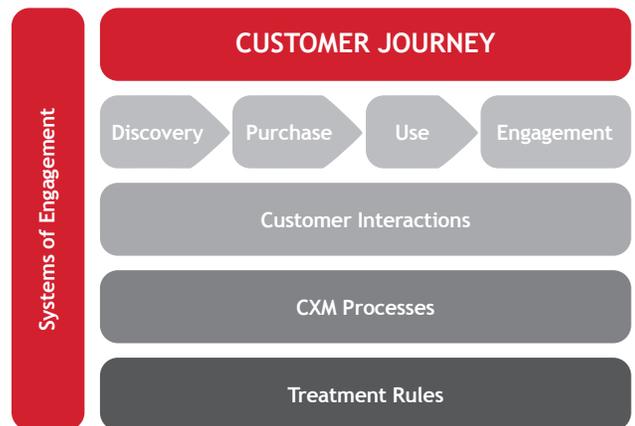
## Kill the Messenger

If businesses think about customers at all, it is usually in the interest of targeting them more precisely. After all, the beating heart of any business is the brand. Historically, the job of marketing has been to pump out awareness-building messages to increase the chances of brand consideration. Swapping out the brand for the customer goes against everything marketers have ever been taught. Even though the only purpose of a business is to serve customers, as Pete Drucker famously said, more than a leap of faith is required to embrace that ideology: it takes an imminent threat to survival (even that may not be enough, as Kodak sadly proved).

Fear of the unknown is what causes businesses to equivocate. The trouble, of course, is the stovepipe structure of most companies: the job of securing agreement to reorganize around the customer is a diplomatic minefield, impossible to navigate without

a guarantee of safe passage from the executive ranks. Even then, a working consensus can be sabotaged by passive resistance and “kill-the-messenger” whispering. Old habits die hard. Whenever entrenched belief systems are challenged it causes a reactionary backlash. At that point, business leadership can choose to bar the exits, forcing people to confront the need for change, or surrender to denial. “Never underestimate the magnitude of the forces that reinforce complacency and that help maintain the status quo”, writes John Kotter in his seminal work “Leading Change”.

Overcoming complacency is just one battle. The other is reframing the concept of value. Most businesses operate by moving products off factory floors or warehouses through distribution networks into the hands of end users. Their strategic focus, by necessity, is on the value exchange: what people are willing to pay beyond the marginal cost. The problem, of course, is that we live increasingly in a “zero marginal cost” society, as the social theorist Jeremy Rifkin argues, where traditional notions of value have been scrambled. Product parity due to technology innovation has virtually erased barriers to substitution, causing a major shift in how customers perceive value. An unadorned product is no longer enough. Value must be extended in other ways – for example, through service augmentation.



The goal of transformation is to optimize each part of the customer journey by aligning interactions, processes and rules to create a unified experience.

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Just think about Fitbit. Is it in the business of wearable technology? Or is it in the business of motivating people to stay fit? The value it provides is embedded in the total brand experience, from sign-up to ongoing use.



By freely sharing the sensor data it collects, Fitbit has created a fan base of 10 million active users, eagerly checking their personal dashboards every day. Fitbit is really a self-help company: the devices it makes simply enable the experience. There is something uniquely gratifying about receiving a pat on the back from Fitbit for hitting a personal milestone or being awarded a badge of honour for exceeding some baseline measure.

## The CXM Playbook

Brands like Fitbit and other companies renowned for the quality of the customer experience have earned extremely loyal fan bases who will never accept substitutions, or purchase elsewhere, even when the price is cheaper. Moreover, those customers are eager to hear what's next in the innovation pipeline; they are the first to line up for new products; they feel it is their duty to provide honest feedback; they are quick to forgive incidental screw-ups; they are anxious to stay connected; and they are always ready to recruit new followers. That depth of emotional commitment can never be achieved through brand advertising: it is the outcome of a deep commitment to delivering the best possible experience – doing what's right for the customer, always. If that can be demonstrated, time after time, customers will willingly amplify the brand message, sharing their experiences with everyone they know: call it, “loyalty squared”.

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Invariably, the dismissive response from naysayers is that the success of the CX leaders is purely due to circumstance, when the real explanation lies in their cultural disposition: these companies are generally mindful of their responsibilities to society at large and are driven by a desire to make a difference. Success is not defined by shareholder value: it is measured by the

degree of customer loyalty. And those feelings of loyalty extend to their employees, who see greater meaning in their work. Having a motivated and enthusiastic workforce is the best way for businesses to show a happy face to customers (for proof, just walk into any Lee Valley Tools store and compare that experience to Home Depot). Making customers feel appreciated and special is something that cannot be taught: it must flow out of the ethos of the company - a groomed instinct rather than rote learning.

Transformation begins with creation of a unifying vision for how the brand creates value for people. The expression of it has to come from the heart (in contrast to a soulless corporate mission statement). It has to be a catalyst for change – a rallying cry to make the leap from good to great; better to best; respected to revered: a humanitarian statement of purpose which inspires and energizes people – makes them proud to say who they work for and why.

The inevitable letdown happens when there is no clear plan to bring the vision to life. So many vision building exercises, blessed by the CEO, and always conducted with great fanfare, fade quickly if they are not part of a



**The purpose of the transformation roadmap is to close the gap between current and ideal state.**

broader plan to reimagine the customer experience (a common hazard known as an “air sandwich”). As Seth Godin observes, “If you want to change people’s minds, you need more than evidence. You need persistence. And empathy. And mostly, you need the resources to keep showing up, peeling off one person after another, surrounding a cultural problem with a cultural solution.”

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Socialization of the brand vision must be accompanied by a customer charter and transformation roadmap: a CXM Playbook which spells out the business case for change; draws a compelling portrait of customer needs through the use of vivid personas; provides a clear set of operating values and principles; and outlines a long-term strategy for reaching the highest level of maturity: a unified customer experience.

## Customer First Thinking

A CXM Playbook strikes a judicious balance between idealism and pragmatism. Using customer journey maps as a compass, it throws a spotlight on the obvious fractures in the customer experience: those pain points, service anomalies, disconnected processes or operational black holes which cause the most grief. But that just stops the erosion in customer loyalty. Creative design is required to achieve ideal state: where customers feel they are being treated respectfully and consistently as the relationship evolves over time. More than that, the experience must become synonymous with the parts of their lives that matter the most. A simple analogue is the relationship between sports fans and their teams; between concert goers and bands; between wine lovers and wineries: shared obsessions that lead to a passionate and purposeful connection.

There is also the difficulty of institutionalizing customer first thinking. The instinct of most businesses is to take a top-down approach to goal-setting, declaring ambitious plans for growth, in the sole interest of pleasing shareholders. The progressive thinking CEO is trapped between two diametrically opposed forces: customers intolerant of being plundered and corporate ownership insistent on maximizing earnings. The only way to cure this corporate myopia is to draw the link between brand health and customer loyalty (look at Jeff Bezos: he kept impatient Amazon shareholders at bay for years knowing the repeat purchase ratio would eventually tilt in his favour). There is a reason, after all, that the net promoter score, valued for its simplicity, has risen to the top of the corporate measurement hierarchy: customer loyalty, as most CEOs now realize, is a weathervane for market success. Loyal customers matter - more than ever.

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That is why the CXM Playbook needs to spell out exactly what it will take to drive the loyalty score to the same stratospheric heights as those companies at the top of the NPS leaderboard: USAA, Apple, Nordstrom, Disney, Southwest Airlines, all of them dominant in their respective industries. The purpose of the Playbook is to future proof the business, laying the groundwork for transformation. It points the way to creating signature experiences that leave a memorable impression; to better orchestration of cross-channel interactions; to unification of all customer communications; to co-creation and brand participation; to the extension of the value proposition. All of that means rewiring the planning process by incorporating data-driven insights into strategy development, and reengineering the customer experience around the different stages of the relationship lifecycle. It also means adopting a new funding formula, directing investment dollars to where they are most likely to increase the lifetime value of customers.



Transformation Roadmap						
	Solution Tracks					
	Demand Generation	Relationship Management	Channel Management	Communications Management	Interaction Management	Knowledge Management
Phase 1	<ul style="list-style-type: none"> <li>• Business Outcome</li> <li>• Customer Benefit</li> <li>• Defined Issue(s)</li> <li>• Capability Requirement</li> </ul>					
Phase 2						
Phase 3						

The Roadmap is a set of interdependent phased initiatives designed to improve the capabilities of the business to create a unified customer experience.

Culture, strategy, organizational structure, planning, operations, technology – everything should be in play, comparing current state to a “best practices” maturity model. A complete reset is usually needed to change the operating model, stretched out in carefully planned phases to minimize the shock waves. The transformation plan must spell out a precise set of change management initiatives, organized into tracks or “swim lanes”, which will transport the organization into the future. Each phase builds on the foundational work completed in previous stages to move progressively toward an ideal state. An example of a transformation track would be Data Management (since insight is so dependent on a single, unified view of the customer) laying out the steps required to improve the quality of the database.

In order to win approval, a transformation initiative is typically subjected to a simple test, weighing the expected impact on customer loyalty against the difficulty of implementation. Or an initiative might be given a free pass simply because so many other changes are dependent on it. Even after the project plans are in place, they need to be revisited at various intervals, depending on the velocity of change in the business environment.

The secret to success of any customer experience transformation is to keep the sights of the project trained on the far horizon while marching forward at a steady measured pace. Catching up with customers may seem like a long journey, even an uphill climb at times, but the real danger is in falling too far behind.

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