



GO BEYOND CRM TO CEM

The Importance of Customer Experience Management

A MARKETING THOUGHT LEADER White Paper

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In today's competitive marketplace, managing customer relationships is critical to a company's profitability and long-term success. To become more customer-focused, sales managers, IT professionals, and marketing executives must understand how to build profitable relationships with each customer and how to make everyday managerial decisions that increase the value of a company by increasing the value of the customer base. The goal is to build long-term relationships with customers and generate increased customer loyalty and higher margins.

Managing customers used to be much simpler. A business-to-business (B2B) company had a smaller contact database within defined geographic boundaries, and key sales executives often knew many of their customers, or at least their best customers, by name. The Internet has made geographic limitations a thing of the past, and that has created a need for a different management style and marketing practice. If you market to a broader audience as a business-to-consumer (B2C) company, it was certainly more difficult than B2B, but since you controlled the communications flow and content, you still felt in control.

Customers today are in control of your company -- whether you like it or not.

"The Consumer Is In Charge" says Kaiser Permanente CIO

"Consumers and their demands are in charge of business" says Frito-Lay's senior vice president and chief marketing officer.

"Today, the customer is in charge," said SrVP for marketing at Wal-Mart Stores,

Statements like these are being made at almost every marketing meeting today. In truth, the customer has always been in charge from a purchasing standpoint, but today customers also play a major role in the communications flow and content.

When you think about how to describe the ideal business model, a well-oiled machine with all parts running smoothly and in harmony, maintained by a skilled staff and overseen by competent and passionate management comes to mind.

Unfortunately that model is less and less a reality in today's digital economy. A modern company, today, is more like riding in a super-fast sports car, with the

customer at the wheel. They are probably driving faster than you are comfortable with, and you are not really sure where they are going. And a host of back-seat drivers are trying to convince them to change directions.

A breakdown in customer loyalty has destabilized the old business model.

Even for a company with reliable products, pricing, and customer service, customer loyalty is no longer a given. With the easy availability of information-sharing and competitive options now available to consumers, you are always in danger of losing a customer to a competitor down the street, or halfway around the world.

In the past, many companies could rely on loyalty out of sheer convenience. If you wanted a bank account, for example, you went to the branch closest to your home or office. Not anymore. You can bank with somebody in Ohio or Florida as easily as the bank across the street.

Loyalty is now driven by a company's interaction with its customers and how well it delivers on their expectations before, during, and after a purchase. If a customer feels like you did not deliver a service that was expected, they won't come back and buy from you again. And if they express their dissatisfactions via social media, they may reach hundreds or thousands of potential customers with their complaints.

Customer Relationship Management (CRM) as a concept has been around for a while, but has primarily revolved around using software to solve specific issues.

For many marketers, CRM has become the use of technology and software to solve a particular issue or to increase speed and, hopefully, accuracy of response. Sales force automation programs can develop detailed analyses of sales promotions, automatically track a customer's account history for repeat or future sales, streamline sales cycles, and measure and score leads.

Today, instead of using a conventional Excel-type spread sheet, many marketers have found that a good CRM lead management program allows your company to better manage leads as well as prospects from the time of initial capture of interest until the sale is closed. For a company to be successful it must manage and take advantage of every sales opportunity that comes its way and CRM software can provide company with a number of important benefits.

Other common CRM software tools help companies stay more competitive by helping them make more accurate forecasts, manage orders more effectively and efficiently by streamlining the process and cutting down on paperwork, and provide more information and insight for cross-selling and up-selling.

But managing customers is more than just improving your customer interaction speed or accuracy. In a world where customer expectations have become customer demands, you must manage the total customer experience, not just a part of it.

Customer Experience Management (CEM) has become today's marketing requirement, not just this week's buzzword.

While there is a clear reason to support the concept of CEM, that is still a great deal of confusion about what it really is. As more agencies and consultancies claim expertise in the area, an understanding of the basic differences relative to CRM becomes necessary.

It is believed that the term "Customer Experience Management" was coined in 2003 by Bernd Schmitt in his bestseller, **Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers**. Schmitt defined CEM as "the process of strategically managing a customer's entire experience with a product or company. It represents the discipline, methodology and/or process used to comprehensively understand and manage a customer's cross-channel exposure, interaction and transaction with a company, product brand or service."

CEM starts with a multidimensional understanding of your customer.

This depth of understanding goes well beyond an analysis of demographic data, and must also include cultural, sociological, and behavioral insights. The more you can define the needs, wants, and expectations of your customers the better able you will be to develop audience segmentation strategies and prioritization of your key prospects. Customer understanding becomes the primary driver in shaping your business approach.

Cross-channel or multi-channel consistency becomes a critical ingredient in managing the experience.

Your customers don't see the company as a marketing department, a sales force, or a contact center; they see it simply as one brand. One bad experience with one channel reflects on the entire company. Additionally, as customers become more comfortable interacting with your brand across a variety of media -- website, email, phone, etc. -- they become more likely to switch back and forth between channels, even when trying to resolve a single issue. For example, if a customer emails the sales department with an inquiry and follows up with a call to the customer service line, she expects this to be a continuation of one effort, not two separate ones. When answering the call, the company should know about the email. This is not possible unless channels are open and integrated.

CEM must become an integral part of training at all touchpoints.

With the level of information sharing now available to consumers, what might have been a minor mistake can become a major blunder. A rude or inattentive waiter, or someone just having a bad day, can ruin a restaurant's reputation through peer review sites like Yelp and Urbanspoon. Customers are expecting a great experience at every interaction with a company, and companies that fail to realize this, and establish programs and practices to promote that experience will be left behind.

Many companies say they understand the importance of managing the customer experience, but privately question its value in relation to ROI.

The 2014 Customer Experience ROI study from Watermark Consulting makes a strong case for why every company should make customer experience a major focus. Their 7-year study of stock market performance of Customer Experience Leaders (top-ten rated public companies in Forrester Research's 2007-2014 Customer Experience Index studies) shows they outperformed the broader market over that period, generating a total return that was 26 points higher than the S&P 500 index. Customer Experience Laggards (Bottom-ten companies in Forester studies) actually posted a negative return during this period when the broader market rose sharply.

The Customer Experience Leaders identified in this study have four basic principles they follow to create and maintain a positive customer experience:

1. **The aim for more than just customer satisfaction, they look for brand advocates and loyalty.** Customers that are merely satisfied are less likely to drive business growth through referrals, repeat purchases, and reduced sensitivity to price than brand advocates.
2. **They focus on ways to surprise and delight their customers beyond the basics.** They execute on the basics by minimizing customer frustrations and annoyances, and add something extra to the equation that customers appreciate.
3. **They understand that great experiences are intentional and emotional.** They strive to make sure every touchpoint addresses a rational expectation, but also stirs emotions in a positive way.
4. **They recognize and appreciate the link between the customer and employee experience.** It should not come as a surprise to know that happy, engaged employees help create happy, loyal customers.

The competitive opportunity from CEM cannot be denied. Product innovations can be copied; advances in technology can be easily matched; price

differentiation is not sustainable in a world where sourcing is universal and new companies are formed every day. A company's ability to deliver an experience that sets it apart in the eyes of its customer is a marketing strategy that you can control, not your competitors. That's why companies must move beyond customer relationship management to a broader approach of managing the customer experience.

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