Managing the Total Customer Experience

A CONSORTIUM BENCHMARKING STUDY
BEST-PRACTICE REPORT

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STATEMENT OF PURPOSE

The purpose of publishing this report is to provide a reference point for and insight into the processes and practices associated with certain issues. It should be used as an educational learning tool and is not a "recipe" or step-by-step procedure to be copied or duplicated in any way. This report may not represent current organizational processes, policies, or practices because changes may have occurred since the completion of the study.

Contents of Study Report

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Wells Fargo Home Mortgage

Partner Organizations

Air Products and Chemicals

Caterpillar Financial

Cisco Systems

Harrah's Entertainment

Lands' End

Executive Summary

We are all customers. Each day, we interact with numerous organizations through a variety of access channels such as phone, fax, e-mail, and face to face at the storefront. As consumers, we know firsthand the frustration when the information that is delivered to us via various access channels—not to mention by different employees or messages conveyed via different media—is conflicting or inconsistent. Similarly, as business customers, we engage in daily interactions with vendor representatives and encounter similar challenges. Regardless of whether we are business or consumer customers, we desire "one version of the truth" in information and message and a seamless customer experience in any access channel and throughout our customer life cycle.[1]

At the same time, we are employees. As employees of self-proclaimed customer-focused businesses, we crave the tools, technology, information, and empowerment in order to be able to provide excellent customer service. We want easy access to information about our customers and about our products and services so that we can deliver "one version of the truth" to our customers.

The *Managing the Total Customer Experience* Best-practice Report is, in a nutshell, about how organizations provide one version of the truth to their employees serving customers and to customers serving themselves and/or in their interactions with customer service representatives, across access mechanisms and the customer life cycle. Over the years, APQC has conducted a number of consortium benchmarking studies on related topics such as call centers, customer value measurement and management, and customer satisfaction. This study sought to fill a research gap in best practices in the holistic customer experience. The study scope was comprehensive, covering everything from organizational cultures and structures that foster a total customer experience mindset, to the technology that supports it and serves as the foundational backbone, to the metrics and performance measurement systems that monitor organizational success. Some topics were covered in more depth than others, depending on the relative strengths of the best-practice partners studied. The study team's hope is that readers will learn valuable high-level insights and best practices about the variety of factors that impact and contribute to the total customer experience.

[1] Source: Harrah's site visit.

STUDY SCOPE

Drawing on input from the subject matter expert and secondary research, the APQC study team identified four key areas for research. These areas guided the design of the data collection instruments and were the basis on which the study findings have been developed:

1. understanding the business case for concentrating on the total customer experience;
2. organizational structure and support implications of improving the total customer experience;
3. investigating the technology enablers to create a seamless, transparent customer experience; and
4. measuring the impact of managing the total customer experience.

OVERVIEW OF FINDINGS AND ORGANIZATION OF REPORT

This report is about managing the total customer experience. The total customer experience, in this context, means ensuring a consistent, positive customer experience across access channels/customer touch points and across the customer life cycle. How do organizations accomplish this? The study team found a number of key findings, or themes, illustrated by the best-practice partners. These findings are organized into chapters centered around four key questions about how organizations manage the total customer experience.

1) **How do organizations that are leaders in customer experience operate?** This includes considerations of the organizational culture that facilitates a total customer experience, the organization structure and accountability mechanisms that foster it, employee training and empowerment, provision of information to dealers and other third parties that influence the customer experience, provision of information to customers and customer self-service, capturing customer feedback, and understanding customer needs and processes.
2) **What do best-practice organizations do to deliver a total customer experience?** This chapter addresses the mechanisms that best-practice organizations have put in place to understand customers and customer knowledge management, to measure and monitor what matters to customers, to deliver a consistent experience across channels and the customer life cycle, and to streamline customer interactions with the organization.
3) **What are the results from investing in the total customer experience?** This chapter discusses how some best-practice partners have demonstrated the return on investment from their efforts to manage the total customer experience.
4) **How is technology used to provide a good customer experience?** This includes how best-practice partners leverage technology to facilitate a positive and consistent customer experience.

Greater detail on the practices at Air Products and Chemicals, Cisco Systems, and Lands' End can be found in their case studies.[2]

In general, the findings from this benchmarking study are no surprise—they are practices that most companies would expect to be prevalent in an organization that successfully manages the customer experience. This point was succinctly put by one of the site visit hosts at Lands' End, a company well known for its great customer service, who stated, "It is not rocket science, but you can make it rocket science." Admittedly, some best-practice partners were stronger in certain areas than others, and the study team did not find any one single organization that excelled in every aspect of managing the total customer experience. In addition, since the study scope is very comprehensive, coverage of any particular topic is broad rather than in-depth. However, across the portfolio of organizations studied, a collage of best practices to manage the total customer experience emerged. The learnings and the value from this benchmarking report, as with any benchmarking report, originate from the observation of how the best-practice partners address these challenges, the examples and stories that they provided at their site visits, and ultimately the demonstration that their efforts to manage the total customer experience have paid off for both the customer and the company.

The following key findings, or themes, emerged.

Chapter 1—How Do Organizations That Are Leaders in Customer Experience Operate?

- Best-practice organizations establish and nourish a customer-centric culture.
- Best-practice organizations empower employees to understand and anticipate customers' needs and to delight customers.
- Best-practice organizations ensure that employee recruitment, training, and performance management all focus on customer experience delivery.
- Best-practice organizations empower dealer/channel partners to understand and anticipate customers' needs and to delight customers.
- Best-practice organizations empower customers to provide valued input and to help shape company priorities.
- Best-practice organizations enable customers to manage their own relationships.
- Best-practice organizations bathe their organizations in actionable customer information.
- Best-practice organizations align the company and culture around customers' needs and customers' processes.
- Best-practice organizations make customers' priorities their priorities in monitoring and managing performance.

[2] Please reference the Baldrige application summary available on the Caterpillar Financial Services Corporation Web site for greater detail on their processes for customer and market knowledge. Many of the practice examples described throughout this report derive from this Baldrige application summary.

- Best-practice organizations have visionary customer-centric leaders who believe that high-quality customer experience engenders customer loyalty and improves customer and company profitability.
- Best-practice organizations have integrated customer experience into the framework of their organizations' operations at every level.

Chapter 2—What Do Best-Practice Organizations Do to Deliver a Good Total Customer Experience?

- Best-practice organizations understand customers deeply; they segment customers to anticipate and meet their needs.
- Best-practice organizations know who their customers are and what interactions and transactions they have had with the organization.
- Best-practice organizations understand what different types of customers need in different phases of the customer life cycle and tailor the customer experience for those life cycle stages.
- Best-practice organizations understand what customers care about in different contexts—what outcomes are they trying to reach and what context they are in.
- Best-practice organizations identify and anticipate customers' moments of truth—what the "make or break" points are in customers' processes.
- Best-practice organizations take proactive steps to anticipate customer-impacting critical issues and to avoid them.
- Best-practice organizations measure, monitor, and improve what matters to customers.
- Best-practice organizations deliver a consistent and seamless branded customer experience across channels and touch points and all stages of the customer life cycle.
- At best-practice organizations, employees work together to create a "one-stop shopping" environment designed to streamline customers' interactions with the organization.
- Best-practice organizations strive for single-contact problem resolution.

Chapter 3—What Are the Results from Investing in a Total Customer Experience?

- The business case for investing in the customer experience is based on competitive differentiation—the quality of the customer experience is viewed as a competitive differentiator by best-practice organizations.
- Investing in delivering a brand-consistent, high quality, end-to-end customer experience across interaction channels and throughout the customer life cycle generates higher customer lifetime value and a growing number of loyal, profitable customers, which translates into profits and greater company value.
- Investing in streamlining customer-critical processes decreases customers' time-to-decision and increases revenues.

- Investing in streamlining customer-critical processes decreases costs-to-serve and increases profitability.
- Investing in improving employee experience to improve customer experience results in greater employee and customer loyalty and lower costs-to-serve.

Chapter 4—How Is Technology Used to Provide a Good Customer Experience?

- Best-practice organizations use technology to identify and to understand customers and track customer behavior.
- Best-practice organizations use technology to provide customers the ability to serve themselves throughout their customer life cycles. Customers are willing and able to serve themselves to accomplish most of their desired outcomes.
- Best-practice organizations use technology to provide customers with a consistent view of their accounts across channels and touch points. Customers can manage their own accounts.
- Best-practice organizations use technology to provide customer support and service personnel with the information that they need and provide a consistent view of the customers' account across channels and touch points.

With the exception of Caterpillar Financial and Harrah's, case studies explore the partners' best practices in more detail at the end of the report.

Participant Background

Fifteen sponsors[3] and all best-practice partners completed the detailed questionnaire.

Figure E.1 depicts the industry breakdown for the organizations participating in the detailed questionnaire. Other industries indicated by respondents included gases/chemicals, gaming, consumer packaged goods, and machinery/equipment.

Two of the five best-practice partners responded on behalf of their entire organization; two on behalf of their division, agency, or business unit; and one partner provided information for both.

The best-practice partner organizations studied sell to both businesses and consumers, as indicated by Figure E.2.

The best-practice organizations interact with customers through a variety of touch points and access channels, as shown in figures E.3, page 12 and E.4, page 13.

FIGURE E.1: Industry Representation

Industry Categories	Industry Representation
Financial services	30%
Telecommunications	10%
Networking/Computer/ Telecommunications equipment	10%
Retail	10%
Utility	10%
Other	30%

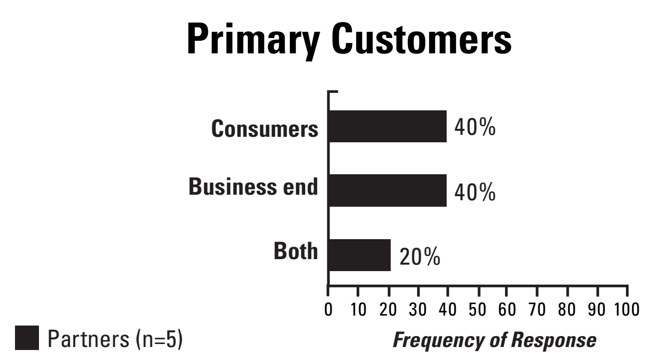

Figure E.2

[3] USAA did not complete the detailed questionnaire.

Sales/Service Channels

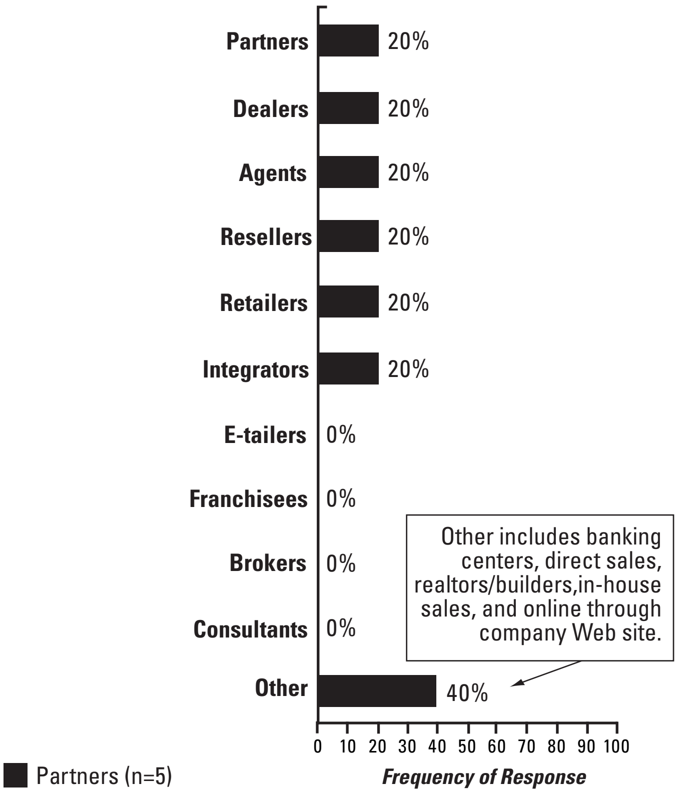

Figure E.3

APQC's Benchmarking Model: The Four-phased Methodology

APQC'S CONSORTIUM BENCHMARKING METHODOLOGY

The APQC consortium benchmarking study methodology was developed in 1993 and serves as one of the premier methods for successful benchmarking in the world. It was recognized by the European Center for Total Quality Management in 1995 as first among 10 leading benchmarking organizations' models. It is an extremely powerful tool for identifying proven successful practices and for facilitating the transfer of these practices.

APQC's Four-phased Methodology

Phase 1: Plan

The planning phase of this study began in the summer of 2004. During this phase, research conducted by APQC was used to help identify successful organizations to participate as best-practice partners. In addition to this research, APQC staff members, the subject matter expert, and sponsoring organizations identified potential participants based on their own experiences and knowledge. Each recognized organization was invited to participate in a screening process. Based on the results of the screening process, as well as organization capacity or willingness to participate in the study, a list of 12 potential partner candidates was developed (eight initial plus four more generating from additional contacting and screening post-kickoff per sponsor request).

The study kickoff meeting was held November 18, 2004, during which the sponsors refined the study scope, gave input on the data collection tools, and rank-ordered the top four potential partner organizations, which were asked to host a site visit: Air Products and Chemicals, Cisco Systems, Harrah's Entertainment, and Lands' End (Caterpillar Financial was selected as partner no. 5 after the subsequent contacting and screening to fill a gap in service-company partners).

Phase 2: Collect

Three tools were used to collect information for this study:

1. **screening questionnaire**—qualitative and quantitative questions designed to identify best practices within the candidate partner organizations;
2. **detailed questionnaire**—quantitative questions designed to collect objective, quantitative data across all participating organizations; and
3. **site visit guide**—qualitative questions that parallel the areas of inquiry in the detailed questionnaire and serve as the structured discussion framework for all site visits.

The five partner organizations selected for continued participation in the study responded to the screening questionnaire as well as the detailed questionnaire. Additionally, four of the five partner organizations hosted half-day site visits attended by sponsors, other partners, members of the study team, and the subject matter expert (Cisco Systems hosted a virtual site visit since key participants in the visit are located in Europe). The APQC study team prepared case studies of the site visits and submitted these to the partner organizations for approval or clarification.

Phase 3: Analyze

The subject matter expert and APQC analyzed both the quantitative and qualitative information gleaned from the data collection tools. The analysis concentrated on examining the challenges organizations face in the study focus areas and key themes and enablers in managing the total customer experience.

An analysis of the data, as well as case examples based on the site visits, is contained in this report.

Phase 4: Adapt

Adaptation and improvement, stemming from identified best practices, occur after readers apply key findings to their own operations. APQC staff members are available to help sponsors create action plans appropriate for the organization based on the study.

Customer Access Mechanisms and Touch Points

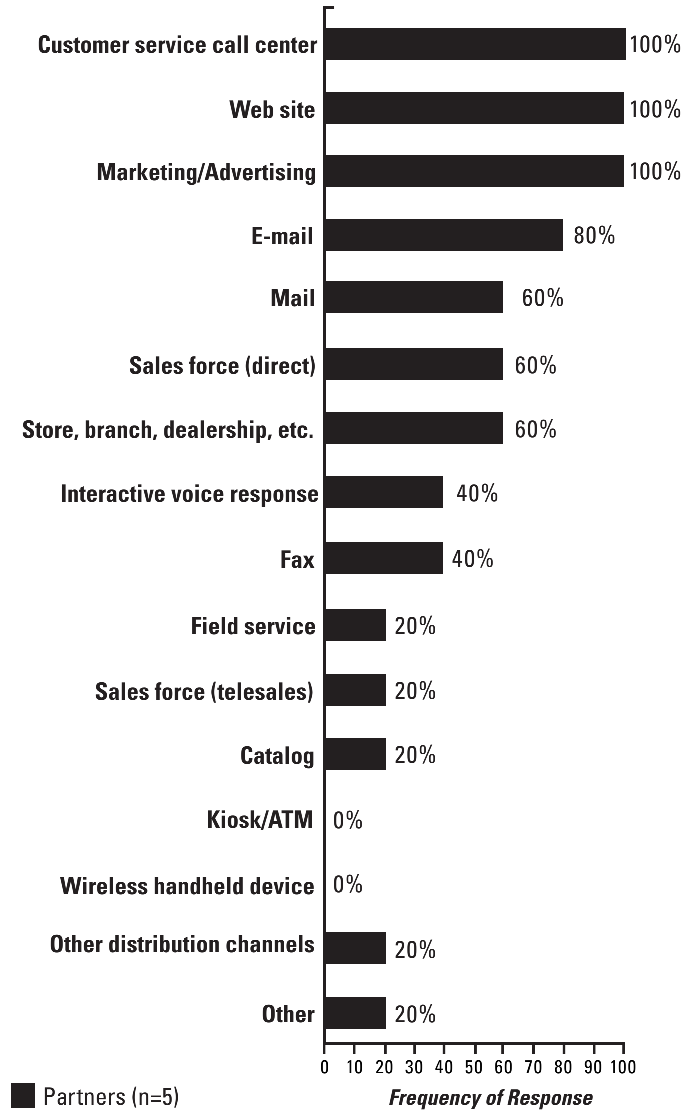

Figure E.4

SUBJECT MATTER EXPERTISE

Patricia Seybold, author and founder and CEO of the Patricia Seybold Group

With more than 24 years of experience consulting to businesses in a variety of industries, Seybold assesses and predicts the ways in which both business and consumer customers will make new demands on companies. Her clients include National Semiconductor Corporation; Wells Fargo & Company; L.L. Bean, Inc.; the International Monetary Fund; Cisco Systems Inc.; Monster; The Toro Company; Sabre Holdings Corporation; Snap-on Incorporated; KeySpan Corporation; Symantec Corporation; and Orient Overseas Container Lines (OOCL).

Seybold's book, *Customers.com* (Times Books, 1999), provides insight into how 16 still-thriving companies designed their e-business strategies to improve revenues, increase profitability, and enhance customer loyalty. Seybold's second book, *The Customer Revolution: How to Thrive When Customers Are in Control* (Crown Business, 2001), describes how 13 global businesses in a variety of industries manage by and for customer value while they continuously improve the quality of the customer experience they deliver. Her books have been translated into more than 10 languages.

ABOUT APQC

A recognized leader in benchmarking, knowledge management, measurement, and quality programs, APQC helps organizations adapt to rapidly changing environments, build new and better ways to work, and succeed in a competitive marketplace. For more than 25 years, APQC has been identifying best practices, discovering effective methods of improvement, broadly disseminating findings, and connecting individuals with one another and with the knowledge, training, and tools they need to succeed. APQC is a member-based nonprofit serving more than 500 organizations around the world in all sectors of business, education, and government. Learn more about APQC by visiting www.apqc.org.

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