

Capitalizing on Customer Experience Complexity

Develop treatment plan focused on customer Moments of Truth (MOTs)

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Introduction

In an increasingly complex environment, improving the customer experience to drive greater customer loyalty continues to be a top priority for businesses who want to drive revenue and profitability. Achieving that goal is increasingly difficult as customers exert power in a multichannel world, companies struggle with an explosion of data, and sustaining operational excellence becomes increasingly more challenging.

Intelligent leaders are approaching these challenges in new ways. The best are both thinking differently and executing differently. They are addressing their multichannel environments with new intelligence and an understanding of customer profiles and behavior. They are prioritizing how customer experiences are executed through moment-of-truth planning techniques that enable them to put their investments in the places that yield the largest return. Most importantly, they understand that achieving and sustaining greater customer loyalty requires new operating models and a forthright discipline in ensuring their people, processes, infrastructure, and governance models drive optimal customer interactions.

Imperative for new approaches to manage the customer experience

Business leaders agree that today's business environment is volatile, uncertain and complicated. The IBM 2010 CEO Study (a survey of more than 1,500 executives across the globe), indicated that complexity is a CEO's primary business challenge. And 79 percent of those leaders anticipated even greater complexity ahead. Amidst this complexity, "Getting closer to customers" is the top business strategy priority for 88 percent of these surveyed companies. Unfortunately, a much lower percentage will successfully achieve this critical strategic objective.



The challenge of succeeding in a complex environment is most acute for leaders directly responsible for delivering the customer experience. Some of the major drivers of customer experience complexity include:

- **Increasing customer expectations.** Customers are expecting companies to understand them better, tailor interactions to their preferences and engage them in a more collaborative manner.
- **Distinct, powerful generational groups.** The challenges of rising customer expectations are multiplied by the need to respond differently across four different generations that each has substantial size and purchasing power.
- **Growth of channels.** With the proliferation of interconnected devices and social media, companies have increasingly more channels to manage and integrate.
- **Explosion of data.** The gap between the amount of data and the companies' ability to draw insights from it is tremendous, particularly with regard to customer data.
- **Need for operational dexterity.** Cost pressures in response to the recent downturn are unlikely to ease as an increased focus on simplicity and dexterity permeates leaders' operational focus.

As complexity builds over time, often the response is a series of incremental, point solutions that may address a tactical issue, but degrade overall operational performance and customer experience. When this happens, companies find themselves stuck in the lower left of Figure 1—unfocused, siloed operations with an inconsistent approach to treating customers. The end result is erratic delivery of the customer experience and poor customer loyalty.

To avoid these pitfalls and not only maintain, but improve upon customer loyalty, leading companies are harnessing the challenges of today's environment and turning them into opportunities: an opportunity to differentiate from competition through their customer experience, an opportunity to develop customer intimacy in a manner that improves share of wallet, an opportunity to address operational disparities that have limited customer loyalty in the past.

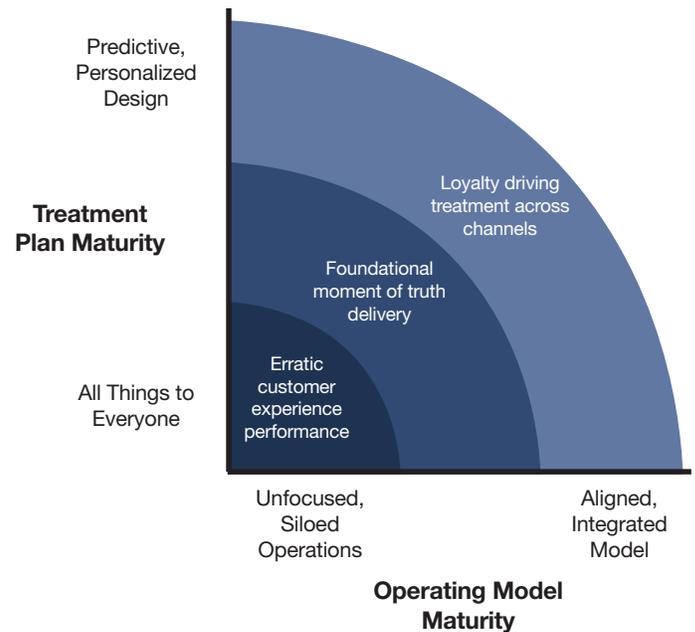


Figure 1. Maturity as a measure of success. As organizations advance their customer-focused agendas, they move to an advanced state of maturity in building loyalty-driving treatments across channels. This occurs when their planning maturity (what they think) and operating model (how they execute) are working together at optimal levels.

Leaders recognize that an imperative for success lies in the effective use of advanced analytics to understand customer past behavior, predict customer wants and needs, and successfully deliver a positive customer experience at each “moment of truth”—key interactions where the customers’ needs are met in a way that builds trust and loyalty. Moments of truth (MOTs) differ across the customer base and, so too, does a value generating customer experience.

Here lies the opportunity and challenge for the modern customer-focused enterprise: how do we successfully deliver to our customers at the most critical MOTs, while simultaneously dealing with the massive complexity and constraints in our operational environment? Meeting these two objectives requires some new techniques, a new basis for making decisions, and ultimately a new approach to executing in the customer trenches. Essential to the MOT delivery is an understanding of the customer—both who they are and what they want. Only companies that systemically apply customer

insights to address MOTs, establish cross-channel leadership, and align their operating model will successfully overcome complexity and truly get and stay closer to their customers.

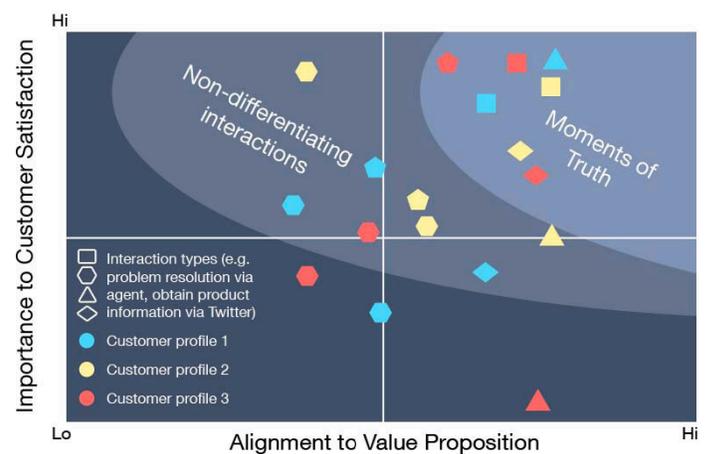
Thinking differently: Changing how we make customer-focused decisions

It is no surprise that getting closer to customers and driving loyalty has an increased focus in this complex environment. A customer who intellectually and emotionally favors a company does more business with that company. They stay longer. They tell their friends and family. They complain less and forgive more mistakes. They build a long-term relationship. Building that kind of relationship with limited resources and competing priorities is a constant challenge. However, by focusing on what's most important to certain customers, customer relationship management (CRM) leaders can use MOTs to simplify and benefit from a complex environment and build loyal customers in the process. MOTs are particularly important to the customer's level of satisfaction and are key to delivering on the company's value proposition. Identifying MOTs requires examining both of these dimensions.

To start, a company must articulate the implications of the business strategy and value proposition for the customer experience. A company whose value proposition is around low cost and ease of interaction may have very few MOTs. For this company delivering on the value proposition means consistently executing on basic interactions—those interactions for which a certain level of expectation must be met but over-delivery does not contribute to loyalty. A company with a high-quality, image-based value proposition would likely have more MOTs to address. The key is to identify which interactions provide the opportunity for differentiation in line with the value proposition.

The importance of interactions to customer satisfaction, which is the other dimension by which MOTs can be identified, can vary significantly across customer types. Companies must assess what interactions, via which channels and with what outcomes are most important to each customer type. The more personalized a company can make the MOT identification the more investments can be focused around the most critical interactions and customers.

Utilizing demographic segments to identify distinct MOTs is a good starting point. In an increasingly multichannel environment, generational segmentation is a valuable approach. Generation Ys (or Millennials) have become one of our largest generations and have acquired dramatic purchasing power and influence at a much younger age than have prior generations. As a result, they are a driving force that will shape customer service demands for years to come. At the other end of the spectrum, the senior generation is larger than it has ever been, and is an active, demanding customer set. These two groups have different preferences, particularly when it comes to channels. Millennials expect to be able to interact with companies across many new channels while senior generation members place great emphasis on agents' empathy and problem-handling skills. Both these generational segments have increasing expectations from the companies that serve them, but their MOTs will vary.



■ **Figure 2.** What are your customers' moments of truth?

With analytical capabilities now available, companies do not need to stop with a segment-based approach. By applying predictive analytics, we can take customer experience to a new level and get much closer to the customer. Analytics apply hard facts to the formerly "soft" discipline of customer experience management. For example, a wireless service provider worked with Concentrix to use social network calling patterns to identify customers who are "opinion leaders" with a large influence on other customers' loyalty. Analytics can be used to assess customer value, growth potential, defection risk,

preference for certain channels, importance of an interaction, and desired treatment. All of this information can be utilized to profile customers at a more granular level and identify their MOTs.

After the MOTs have been identified, treatment tactics need to be defined for each MOT and customer profile. Advanced, predictive treatment design is a matter of serving each customer at their MOTs in accordance to their expectations, priorities, desires, and emotional and intellectual composition. The wireless service provider mentioned above integrated its information on “opinion leaders” with their campaign management system, and launched targeted retention strategies that slashed customer defections. Leading companies such as this one are learning how to put predictive insight into action to optimize interactions at the point and time where they happen, integrating new real-time information into the analytical response.

Defining a customer-focused operating model

A customer experience design that capitalizes on MOTs, however personalized and compelling, will only bear fruit if the operating model is aligned to them. Too often a company’s processes, incentive structure and technologies do not support the overall vision or reinforce one another. Individual processes are optimized in silos, causing the end-to-end operation to be more complex and disjointed, and valuable data to be mismanaged. To define a customer focused operating model, a company must make tough choices about continuing and making investments by looking at all operational elements—including channels holistically.

An effective operating model aligns all components—process, sourcing, organization, analytics, metrics, skills, technology, assets, channels, governance and culture. Following are three elements which are particularly vital in managing complexity in a multichannel environment.



Embedding customer analytics

In many organizations, analytics is limited to post-mortem reporting or contact center performance metrics, either allowing managers to understand what happened in the past or to tune broad operational performance, such as average hold times and call volumes. Leading organizations are moving to more advanced analytics such as unstructured data analysis of internal sources. Embedding analytics, however, requires not only deploying leading tools but also establishing data governance and having the right business processes and models in place.

An example of how this all comes together is through “Voice of the Customer Analytics” which is helping leading organizations convert customer feedback into real-time corrective action. For example, a major US automotive manufacturer leveraged text mining to capture customer feedback and sentiment from surveys. This exercise delivered a very objective view on customer complaints, particularly what types of events were driving valued customers away from their business. In order to effect change on the operation, these text-based insights were developed into a predictive model which alerts the business to customers who are at-risk for dissatisfaction and defection. The company employed a special early warning outbound calling queue to proactively contact less-than-satisfied customers for timely resolution of their issues. This effort resulted in not only a significant increase in overall customer satisfaction, but, through careful study, it was determined that many of these same customers went on to purchase another vehicle from the organization.

Devising integrated channels

The frontline of executing customer interactions happens within the channels. Enabling and integrating these capabilities can be challenging and expensive. The need to integrate channels is often underestimated, particularly as companies attempt to move more interactions to self-service. When retailers went online, many thought they could immediately decrease direct mail volumes. However, this channel is considered a crucial part of the shopping experience. While insurers expected mass migration to online quotes, many consumers still needed more information or a personal touch. New cross-channel approaches were needed to allow a consumer to originate and fulfill an order on the web, on the phone or with an agent, in any combination.

Defining the channel element of the operating model starts with assessing the current channel maturity and identifying requirements for the target state. Just as no single element of the operating model should be assessed by itself, so too should no channel be assessed in isolation. Breakdowns, potential remediation, new capabilities, and hand-off requirements can be identified more effectively when channels are assessed collectively.

Enabling customer experience leadership

Bringing the MOT design and operating model to life requires getting the organization behind it. This involves deploying cross-channel leadership, establishing governance mechanisms and enabling an MOT focus on the front-line. The concept of a chief customer officer has been around for many years, but in today's environment, cross-channel ownership of the customer experience is essential. Without strong leadership, it is not only difficult to deploy a coherent multi-channel strategy, but impossible to keep the operations from slipping back into a misaligned state over time.

Leadership must be supported by operating architecture governance. Just as most IT organizations have highly governed architectures that changes are scrutinized in light of, so too must an organization have a governed business architecture that includes well laid out principles and decision mechanisms to review potential changes. A perfectly designed

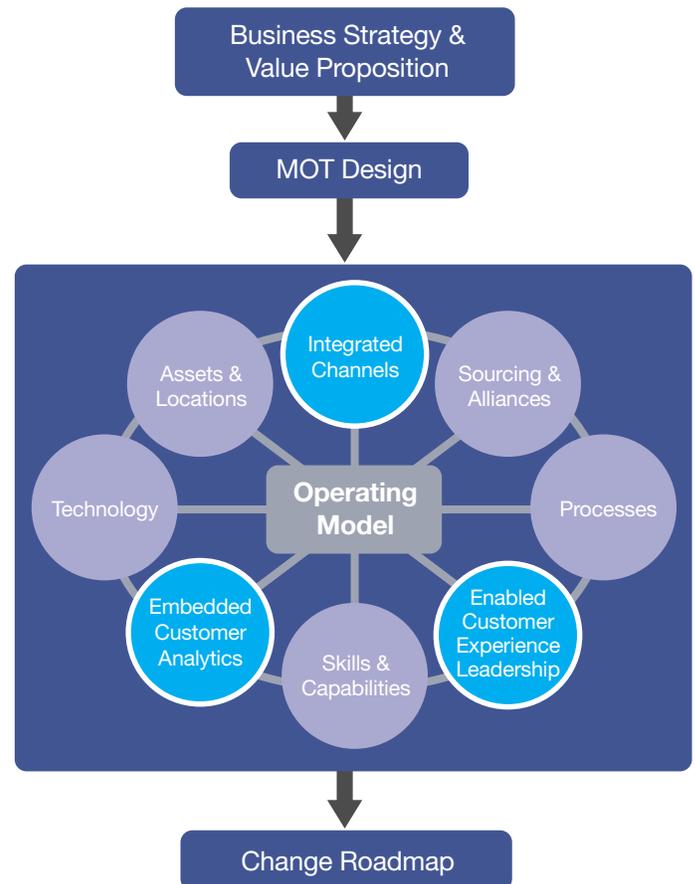


Figure 3. Operating model components. The new thinking—the strategy and the MOT design—must influence the operating model. The important model has many components. While all important, this paper focuses on three key areas (highlighted above) that represent the most volatile and fastest changes in our current environment.

and deployed business strategy and cross-channel operating model can quickly unravel in the face of new pressures and initiatives. Governance, for example, should cover how to make investment decisions so that rather than each channel championing its case using its own methods and assumptions, the organization uses a coordinated approach to make channel investment decisions that measure potential revenue, investment, and customer outcomes consistently.



Finally, structures, reward systems, and processes must be in place to allow those in the organization to behave in accordance with the MOT design. It is impossible to exceed expectations on a MOT if an employee interacting with a customer does not have the freedom to apply their creativity and the support to treat customers the way they want to be treated.

Conclusion

Amidst all the challenges of increased complexity, the best companies are thriving by simplifying transactions for customers and those serving them. A key approach is doing so by developing treatment plans focused on MOTs—the interactions that make or break the trust and advocacy of customers. MOTs can be addressed at multiple levels of sophistication, with a personalized approach that leverages predictive analytics providing the greatest benefits in most cases.

To drive customer loyalty, companies need to establish strong cross-channel, customer experience leadership who can design, enable and maintain a consistent and comprehensive customer experience. Successful, sustained execution requires an operating model that addresses all elements—particularly channels—holistically, and includes governance to ensure that the gains will not be undone by the tendency to revert to silo-based decision making. Those who embrace this holistic view will be best empowered to overcome their internal challenges and enjoy the rewards of improved customer advocacy, revenue, and profitability.

For more information

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