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Sales Effectiveness Consultants
Integrated Solutions that Optimize Sales Effectiveness

LOYALTYPROfessional™
A BETTER WAY TO MEASURE THE CUSTOMER EXPERIENCE

# Measuring the Customer Experience

*Knowing what a customer may do before they do it!*

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Finally, customers have been identified as the most important foundational pillar for business sustainability, and rightly so! It is the customer who can fire anyone, in any corporation, at any time, by taking their business elsewhere. Successful customer-centric organizations have learned that the primary driver of long term customer / supplier relationships is creating and sustaining extraordinary customer experiences. And the only way to truly understand what customers perceive as “extraordinary” is to ask customers: what constitutes extraordinary and how does the experience your organization provides rank against their “supplier scorecard”?

The following whitepaper addresses how to create and measure the customer experience, offering critical knowledge, insight and proven best practices your organization can employ immediately.

## *To Measure: the process of establishing the magnitude of attributes of an object relative to some unit of standard comparison.*

### The “Extraordinary” Experience

Information is more accessible than it has ever been, and the Internet has provided supplier organizations of all sizes with a marketing reach that was previously only achievable by the largest of companies. What does this mean to you the supplier? Customers can now communicate, and will communicate through supplier scorecards, the template for capturing attributes of an extraordinary supplier experience … *are you as a supplier listening to your customers?*

What was once considered exemplary service is now in many situations considered the minimum requirement a supplier must meet. Customers are seeking greater economic value, requiring a monetary return on their investment with a chosen supplier, in addition to great customer service. If your organization cannot provide core elements of the required customer-based value proposition, the customer will seek out alternatives.

The first initiative supplier organizations must execute when focusing on creating an extraordinary experience for their customers is a proactive understanding of what their customers perceive to be the differentiators that place them above the competition.

Relationships, innovation, quality and solution availability are often some of the top criterion customers allude to when evaluating a supplier. Recent trends suggest pricing and the ease of doing business have now surfaced, or re-surfaced in some industries, as two high impact drivers of a successful customer/ supplier partnership. Reason being, in the absence of an economic value proposition – value that is quantified, documented and validated by the customer - price will become the single most important decision criteria.

As a result, suppliers who do not proactively identify the criteria for a successful customer / supplier relationship are often held hostage to price as the basis for the relationship, leaving them vulnerable as a supplier and more susceptible to competitive threats (i.e. customer attrition). Thus, delivering extraordinary customer experiences (i.e. ease of doing business, quality, responsiveness, economic value and cultural fit) is even more critical to avoid becoming hostage to price wars in which a supplier may not be able to compete.

In addition, pricing pressures faced by suppliers heighten the ***importance of measuring the key elements of the relationship*** to determine the ways, beyond pricing, in which they may deliver extraordinary customer experiences. This can equate to ***improved customer retention, revenue growth and profitability*** in a highly competitive global economy.

### Measuring the Customer Experience

Metrics drive strategic direction and identify areas requiring correction; they are the science behind customer experience management (the art being the process and skills, i.e. customer service, account management).

In general, for the past 40 years, there have been five key indicators that indicate whether customer servicing models have been effective, including:

- Increased account revenue
- Increased account profitability
- Increased portfolio penetration
- Reduced account attrition
- Overall satisfaction

While these are all important measurements, they are “after-the-fact” quantitative outcomes (i.e. “lagging indicators”), not predictors of future customer behavior. New metrics, considered predictive analytics, provide immediate insight and direction into the development of a stronger, long-term supplier-customer relationship.

In order to determine whether customer experiences are surpassing standards (i.e. extraordinary), suppliers need to obtain feedback directly from the customer. ***A proven method for gathering customer feedback is through loyalty surveys.*** Loyalty surveys measure customer buying behaviors, practices and preferences, and often successfully predict the "staying power" of the overall account relationship.

Utilizing a loyalty survey to measure the customer experience is very different from utilizing a satisfaction survey – **please do not confuse the two**. They are interdependent measurements; however, loyalty indicators help predict future behaviors, pointing your organization in a direction that will drive (create, improve, maintain) extraordinary experiences going forward. (*See Figure 1 – A Comparison of Satisfied and Loyal Customers*).

## Whose Perception to Measure?

There are many organizations today who mistakenly believe they are effectively measuring the customer experience. Aside from the types of questions being asked and measurements being taken, another critical mistake revolves around the survey sample (participants). Organizations typically measure feedback from only one contact – usually their primary contact at the customer. This presents a challenge in that a supplier could potentially be neglecting the feedback of a significant number of other influential contacts. Contacts within the customer, who use your solution, make the buying decisions, pay the invoices and/or indirectly influence the overall relationship, should also be included in any customer experience measurement process. These could also be excellent contacts to engage for opportunity expansion within the customer.

It is recommended that organizations looking to measure customer feedback utilize a 3 x 3 x 3 survey approach to obtain information on and validate the customer experience. Also known as a high, wide, and deep approach – this methodology suggests acquiring data points from multiple contacts at multiple levels within multiple functions of the customer's organization. (*See Figure 2 – Penetrating the Customer Organization*).

While it is understood that relationships may not exist at all of these levels, it should be a priority and goal of the organization to develop these multi-level relationships over time. This is a best practice and has proven to be directly correlated to the strength and longevity of the relationship between customer and supplier.

## What do I Measure to Holistically Assess the Customer Experience?

Josiah Royce, an American philosopher during the mid to late 1800's, claimed that the trait of loyalty was most often associated and driven by 4 main aspects of an individual's life: political institutions, religion, war, and family. Basically, the emotional, personal relationships a person has forged, their value system, the "work" they do, the competition they face and the organizational structure(s) they are a part of drive their personal loyalties.

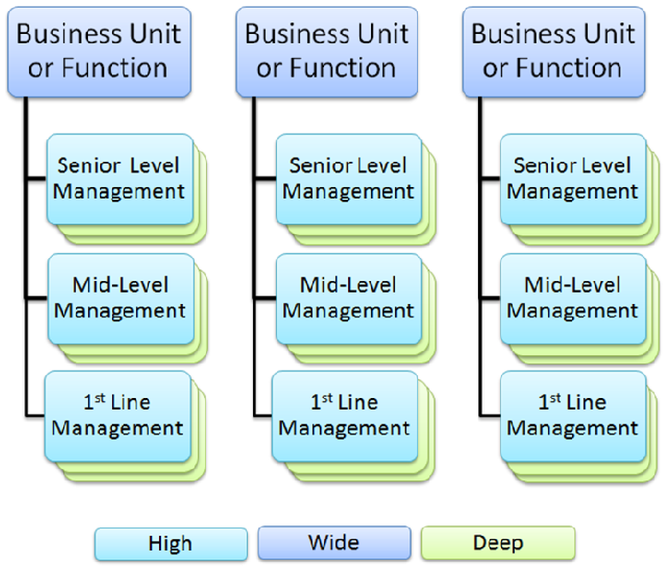
Translating what Royce says about personal loyalties into the world of business, it can be said that the primary aspects and drivers of loyalty in a business relationship are:

- People (Relationships)
- Business (Impact and Competition)
- Organization (Structure)

**Figure 1 – A Comparison of Satisfied and Loyal Customers**

| A Satisfied Customer… | A Loyal Customer… |
|---|---|
| Negotiates prices | Negotiates costs |
| Pays at their discretion | Pays on time |
| Becomes a referral for competitors | Provides referrals |
| Turnover is typically 15% and higher | Turnover is less than 5% |
| Seeks competitive data | Shares competitive data |
| Perceives you as a commodity | Perceives you as a partner |
| Leaves during difficult times | Stays with you during difficult times |
| No emotional investment or connection | Emotional connection with the organization and/or people within the organization |
| Measure of expectations met or not met | Driven by experiences with products and processes |
| Stays until there is a better alternative offered to them | Stays despite better alternatives being offered, because of the emotional connection |
| Leaves, despite being highly satisfied | Feels as though they are part of the process (partner) |

**Figure 2 – Penetrating the Customer Organization High, Wide and Deep (3x3x3 Relationship Management)**




## PEOPLE

In this scenario, when using the term "people", we are referring to those individuals within your organization that work both directly and indirectly to fulfill the needs of the customer. Loyalty is often built upon the personal connections and emotional attachments that are made with an organization; your people are the ones that make this happen. Therefore, it is imperative that you measure the importance your resources play in the process of creating extraordinary customer experiences.

In an ideal situation, the customer becomes dependent on the supplier resource team (account team) for support and guidance in decision-making. These trusted resources become the customer's "go-to" team in times of need. In the absence of such a connection, a feeling of insecurity develops, and the supplier organization is susceptible to competitive threats. As soon as things do not go as expected, according to plan or scope, customers can distance themselves and seek out a new relationship that provides the support they require (meets their "supplier scorecard" requirements).

Sample ***People*** measurements include:

- Do we understand your business?
- Are we providing guidance and best practices relative to your industry?
- Do we have integrity?
- Do we respond promptly to your needs and requests?
- Do we provide effective problem resolution?
- Are we willing and able to get things done?
- Do we make you feel like a valued Customer / valued partner?
- Do we conduct effective business reviews?

## BUSINESS

In order for two organizations to work successfully with one another on a long-term basis, there must be a positive, mutually beneficial (win/win) business outcome. As budgets continue to be scrutinized, it is our responsibility as a strategic supplier to educate our customers on the business reasons they engage with us. Therefore, when we talk about the Business element of customer loyalty, we are referring to the impact of having or not having this solution: Are we, as a supplier, providing the customer return on their investment, with a competitive advantage in their respective market?

It is very important that as part of standard business practices you document the economic value provided to your customers. The more people inside the customer organization who understand and agree to the economic value proposition, the more "disciples" your business will create, and the more loyal customers they will be.

Sample ***Business*** measurements include:

- How do our products and services perform (Quality / Performance)?
- Are we / solutions innovative?
- Are we easy to do business with?
- Do we identify solutions that offer your organization economic value and/or improve your market position?
- Do we provide your organization a return on the investment (ROI)?
- What is your likelihood to renew with our organization?
- What is your likelihood to recommend our organization?

## ORGANIZATION

The Organization element of customer loyalty is driven by the structural dependence the customer organization has on the supplier organization. This metric is largely dependent on how the customer and supplier organizations align and fit together, beginning with commonalities in the vision, mission, values and overall culture. Do the vision, mission, values and culture complement each other? Do their capabilities and/or infrastructures mirror each other?

When organizational / structural dependencies exist between a customer and supplier, a common link is established that builds and/or further strengthens customer loyalty. For example, once organizations outsource non-core operations, it becomes much more difficult for them to bring these functions back in-house, because the re-invention time is long, the “switching” investment is high and required expertise is scarce.

Although changing suppliers is possible, it can be difficult, costly and risky. Building structural dependence by aligning customer and supplier organizations is amongst the most powerful elements of customer loyalty.

Sample ***Organization*** measurements include:

- Do we effectively help to provide compliance with respective industries, policies and regulations?
- Do we provide effective supply chain management?
- Do our distribution channels allow for flexibility of product supply?
- Are we providing innovative funding / payment options?
- Are we delivering projects, products and solutions on time?

By measuring the effect and level of People, Business and Organizational dependencies through specific questions posed to customers, you will learn where you are delivering as expected (performance) and if you are meeting and exceeding the customer’s expectations (degree of satisfaction).

***In today’s competitive business economy, there are high stakes involved and great opportunities for both the customer and supplier when they agree to establish a Partnership.***

It is the measurement of these experiences related to the aforementioned dependencies that enable a supplier to predict the sustainability and longevity of the relationship. Most important to the customer, though, is that the supplier develop an action plan specifically focused on ways to improve the relationship and the overall customer experience.

### What are Best Practices for Survey Follow-up and Analysis?

Successful companies are more closely analyzing results and “closing the loop” with their customers after loyalty surveys are completed. They are executing statistical analyses, and correlating data captured. By doing so, supplier organizations are making strategic logical inferences based on the data with a targeted, high degree of reliability.

“Closing the loop” means following up and talking with customers about the feedback that was provided. Specifically, at the close of each survey, companies are taking the following steps to close the loop:

- Immediately following-up with critical surveys as appropriate
- Scheduling External Customer Business Reviews to go over feedback
- Utilizing customer/supplier executive involvement as appropriate
- Conducting in-depth analysis of survey results to identify correlations and trends

This analysis and follow-up allows suppliers to validate with customers their desire to improve the overall customer experience by proving their willingness to listen to feedback and take appropriate action on those areas of concern.

***This process will differentiate your entire customer experience***…just think of the last time a company directly followed up with you, and discussed with you, what you expressed in a recent survey. Probably hasn’t happened to you…ever!

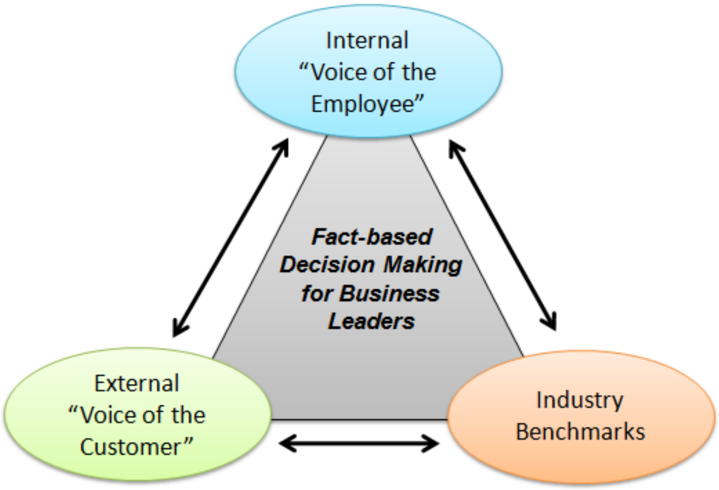
### What Do We Need To Do Now?

The answer here lies in what the most successful companies are doing. Companies are now focusing ***on optimizing customer experiences right from the beginning*** of the relationship. They plan for what the customer is expecting without saying it - the implicit expectations the customer has for the supplier’s people, business, and organization.

***Engaged and well informed customers and suppliers work more collaboratively to create consistent, long-term and mutually rewarding extraordinary experiences.***

Today’s most successful organizations are also ***consistently*** obtaining customer experience feedback (often internally and externally) to develop their Loyalty Index (See Figure 3 – Best Practices for Customer Experience Management). Then, at prescribed intervals, they continue to solicit information from the customer on their experiences at multiple points of contacts (high-wide-deep). This proactively provides the supplier with ongoing knowledge about the relationship and pinpoints any areas requiring improvement. Commitment to the process is what makes these types of organizations the ***best*** at what they do!

**Figure 3 – Best Practices for Customer Experience Management and the Integration of Internal and External Feedback**




## Summary

Although trying to keep it simple in a complex world may not be so simple, there are three key business strategies every supplier (in collaboration with their customer) needs to immediately incorporate to create extraordinary customer experiences*:*

- ***Agree as an organization**,* top to bottom, that you are going to be focused on creating extraordinary customer experiences, especially operational excellence, customer intimacy and economic value delivered.
- ***Measure customer feedback*** at the beginning of any relationship and then at a consistent, ongoing frequency (internally and externally) to determine how to sustain customer relationships and partnerships. Make this performance metric a part of the partnership / joint scorecard as well as Key Performance Indicators (KPIs) within your internal team.
- ***Do something*** with what you learn by ***engaging the customer*** in collaborative action planning.

Embrace the importance of measuring and acting on customer experience feedback; it is part of the mindset and culture of the best customer-centric organizations in the world.

## About the Author—Dennis J. Chapman Sr.

Dennis J. Chapman Sr. is founder and President / CEO of The Chapman Group. The Chapman Group is a sales-effectiveness consulting firm that specializes in optimizing sales and strategic account management performance. Dennis brings over 25+ years of executive experience in sales, marketing and business management to his clients in helping them achieve their goals.

Dennis is a dynamic, enthusiastic speaker whose ideas and vision consistently inspire and motivate his audiences. Clients of The Chapman Group include many global Fortune 500 companies as well as a diverse portfolio of mid-tier accounts.

Dennis has developed sales, sales coaching, strategic account management, loyalty measurement and negotiating methodologies, processes and metric-based performance management tools that have produced significant and sustainable revenue results for clients, time and time again. These solutions have since become the sales mainstay of many companies (national and global) across many industries, including: technology, healthcare, financial markets, specialty chemicals, professional and government services.

Before establishing The Chapman Group in 1988, Dennis' career included sales and management positions with Xerox, ROLM/IBM and as Vice President of Sales and Marketing in the high-tech reseller industry. In addition to a varied professional education, Dennis is a graduate of the University Of Massachusetts School of Business, and has served as a panelist in the Johns Hopkins MBA - Capstone program. Dennis has also spoken on sales and sales management processes to MBA candidates at Loyola College in Baltimore, Maryland, and to major corporations both nationally and internationally. Dennis has written on the topics of sales, sales leadership, strategic account management and sales performance metrics for many years, with articles and interviews appearing in many national publications such as CRM Magazine, Velocity Magazine and Selling Power Magazine. Dennis speaks to more than 50 sales teams a year.

Dennis currently serves on the Board of Directors of SAMA (Strategic Account Management Association).

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