

THE NEW EXPERIENCE ECONOMY

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Tom Huston

Digital Editor,
ThoughtLead
(Event Narrator)

Welcome to the New Experience Economy! I'm your host, Tom Huston, digital editor at ThoughtLead. Over the course of the next sixty minutes, we're going to venture into the brave new world of customer experience in a digital age. We'll hear from twenty of the brightest minds in the business, surveying a diverse landscape of big ideas, case studies at the leading edge, and emerging analysis from the front lines of customer experience research.

Before we get into the program, I'd like to thank our sponsor, ClickFox, for making this event possible, and our media partners, CustomerThink and Econsultancy, for helping to spread the word.

In 1998, Joe Pine and Jim Gilmore first coined the term “the experience economy” in the Harvard Business Review. Their idea that *experiences*—and not merely goods and services—would become distinct economic offerings sent reverberations throughout the business world.

And while their vision has largely become a reality, in the past decade we've also seen data processing power multiply, the number of customer engagement channels proliferate, and customers' expectations of brands rise dramatically—hence, The *New Experience Economy*.



B. Joseph Pine II

Cofounder, Strategic Horizons; coauthor, *The New Experience Economy* and *Infinite Possibility*

In the twelve years since *The Experience Economy* was first published in 1999, one of the things we've seen is that there has been this concerted shift. In that book we talked about it as an emerging phenomenon, that this was going on and would happen in the future—that we'd shift into an experience economy. But now we can really say that it's here. My partner, Jim Gilmore, and I published an updated edition to *The Experience Economy* this summer. And one of the things we did is we put it in the context of today's economy, to recognize that this is where jobs are coming from in the future. I mean, goods and services are continuing to go down in terms of their relative number of employment, commodities as well. And what we need now is experience innovation.

It reminds me of a number of years ago I was in Milan and there was a vice president of a coffee manufacturer in this event with a small number of people that I did. And he said something that floored me. He said, “You know, there's been no innovation in the coffee industry in 15 years.” And I responded, “Are you kidding me? Have you never heard of Starbucks?” Because

for him innovation was solely in goods, they had these blinders on. They thought they had to innovate in goods. Well, yes, we do still need to innovate in goods. We do still need to innovate in services. But that's not where employment's going to come from. It's going to come from experiences.

The other key thing that I've seen happen in the last twelve years is just this explosion of digital technology. You know, that so often we are mediating our experiences by bringing along our technology with us, bringing along our devices. And we're migrating from reality the experiences we have out in the real world increasingly to virtuality. Like this experience that we're having right now, you know, completely mediated by a screen. It's a virtual experience, not a real experience. You know, me being recorded at a different time and then being displayed using digital technology on a virtual screen. We can create experiences that have never before been envisioned, engendered, nor encountered, because today, thanks to digital technology, it's limited only by our imagination. And of that, there is no end.

Tom Huston:

Now, let's take a step back and see how we got here... Kerry Bodine from Forrester Research walks us through a brief tour of the past century of economic development.



Kerry Bodine

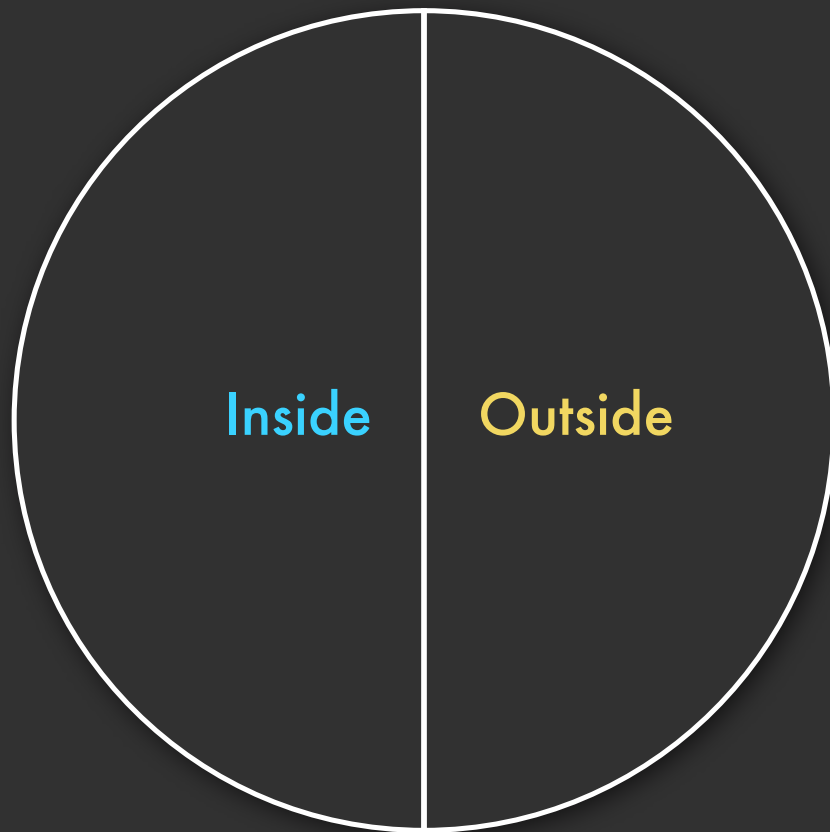
VP Principal Analyst,
Forrester

From 1900 to 1960, we were in the Age of Manufacturing and during this time if you owned a factory, you owned the market. From 1960 to 1990, we were in the Age of Distribution and during this time if you owned the distribution channels, you owned the market. From 1990 to 2010, we were in the Age of Information and just like the other ages, during this time if you owned the information, you owned the market. And Forrester believes now that starting in 2010, we have entered the Age of the Customer. Now this time it's a little bit different because you can't own the customer like you owned a factory or a distribution channel or information. But we believe that the companies that are going to succeed for the next several decades are those that truly understand their customers and engage with them in meaningful ways.

Tom Huston

Narrator

So, as you can see, both the evolution and current state of customer experience is complex. How can we bring the many diverse pieces together into one coherent picture? To do that, we've developed a model that we call the Integral Customer Experience. Based on the pioneering work of Ken Wilber, one of the world's most widely read contemporary philosophers, the Integral Customer Experience begins with a very simple but important distinction: *Every customer experience has both an inside and an outside.*



Tom Huston

Narrator

The *inside* is what we normally refer to as the “soft” stuff—our psychology, needs, desires, and emotions. It’s also our relationships and shared culture, our sense of connection with each other and with the brands we love.

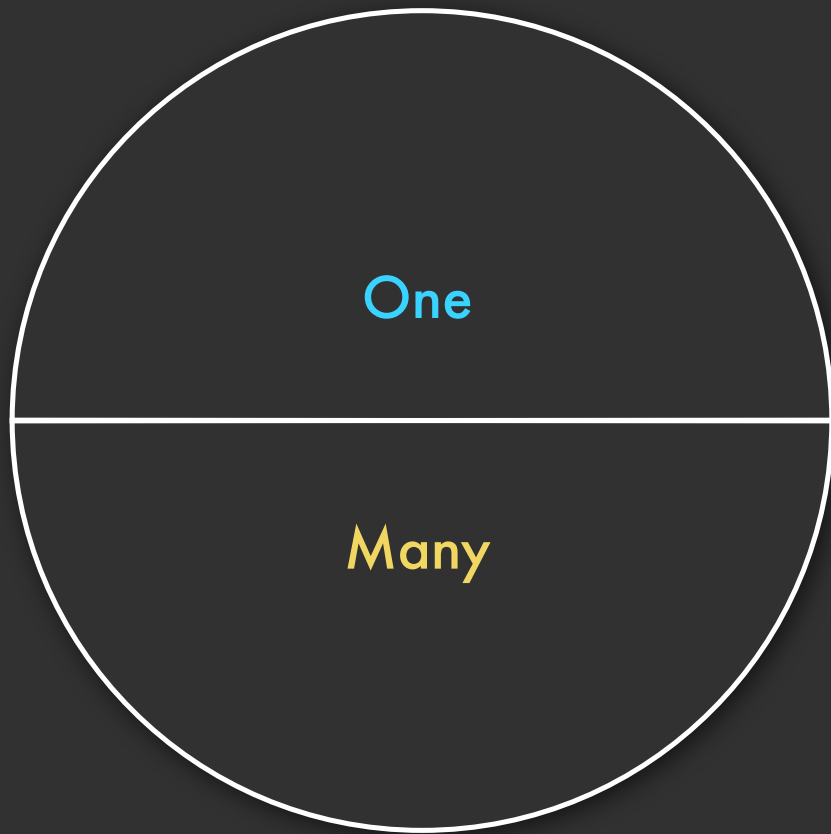
The *outside* refers to what we typically call the “hard” stuff—metrics, analytics, product design, and technology. It’s measurement, empiricism, and data.

Now, this might seem obvious at first, and in many ways it is. But over the past several decades, a lack of clarity about this fundamental distinction has created silos in

organizations, conflicting schools of thought, and more often than we might prefer, confusing and even frustrating customer experiences.

Why? Because, let’s admit it, each of us has a bias toward one side or the other. And if we assume that our own bias represents the most important part of the picture, we’ll inevitably be undermining the other, equally important half of the customer experience.

However, now that we’ve broken it down into the inside and the outside, there’s another important distinction we still need to understand.

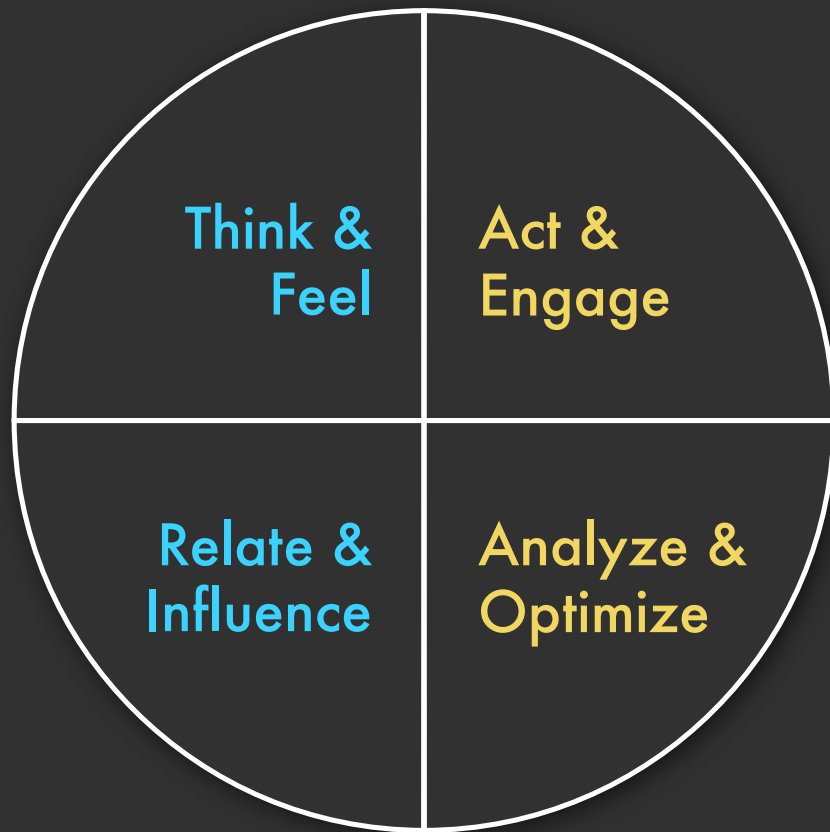


Tom Huston

Narrator

Namely, that when we talk about customer experience, we need to distinguish between the individual, or the *one*, and the collective, or the *many*. We need to understand that at any given moment, an individual customer may be interacting with an individual employee, or what we often call “one to one” interaction. And yet neither of those individuals exists in isolation. A single customer has a wide network of friends, family, and colleagues, with whom they’ll inevitably share their positive or negative experiences. Similarly, your *individual*

employee exists within a larger company *culture* that you create. And all of this is more relevant now than ever before because of the rise of social media and our hyper-connected world.



Tom Huston
Narrator

So there's one last part of the Integral Customer Experience. As we've discussed, there's both an *inside* and an *outside*, and the *one* and the *many*. If we put those together, we get *four quadrants*. These quadrants will provide the structure for our program today.

They are, briefly, "Think & Feel," which is the inside of the individual customer experience; "Act & Engage," which is what that individual experience looks like from the outside; "Relate & Influence," which means the values and experiences your customers

and employees share with others; and "Analyze & Optimize," which is how you manage, interpret, and understand all of it.

Okay, let's dive into the program. We'll begin with the inside, or interior, dimension of the individual customer experience.



Desires
Expectations
Identity
Affinity

Tom Huston

Narrator

The first quadrant, “Think & Feel,” is defined by the quality of care displayed by the individuals in your company who interact with the customer, and by that customer’s unique *desires*, *expectations*, and *identity*, which all relate to the emotional *affinity* they feel toward your brand.



B. Joseph Pine II

What consumers are looking for are those memorable events that engage them in an inherently personal way and create a memory, which is the hallmark of the experience.



Jeanne Bliss

Founder, Customer Bliss; author, *I Love You More Than My Dog*

Memory creation is the currency of your brand. As you start to think about the experience you want to deliver to your customers, one of the things you need to know and becomes a real “Aha!” light as we work on this with organizations is that you have a choice about delivering the memories you want to create for your customer. That starts with understanding and inventorying all of the Moments of Truth, the intersection points where you’re going to impact your customer’s life and then understanding how you’re going to deliver that experience and that starts with, in those customer facing touchpoints, who you bring online, who you have to intersect with your customer. So one of the questions I always like to ask people is, “Are you managing what’s on the inside?” Because that’s what shows up on the outside and this even starts with hiring. So are you hiring memory creators or are you only hiring technicians to answer calls or to make sales calls?



Kate Nasser

Consultant, CAS, Inc.;
KateNasser.com

I had an experience, what, three weeks ago where I called up to—I got a brochure in the mail about some new cell phone and I actually did think about switching carriers and they caught my attention. I wrote a blog post about this. So marketing, they got me, right? Then I call this sales center or whatever calls—number that was there, and said, “I have a few questions.” And it was as if she didn’t even hear me. She read from a script, literally, and when she got to the end of her script, she said, “Would you like to buy?” I said, “Mm, no. Since you didn’t want to interact with me or answer any of my questions, I’m not interested.” Her behavior was not aberrant. It wasn’t as if she was being a rogue rep. There are companies where they are driven purely by metrics and scripts because they think that the way to make customer service successful is to constantly measure the cost of it. I’m not against metrics, but that’s not how you succeed. That’s how you measure how you’re doing. Metrics don’t create great service; they measure great service that you first create.



Jeanne Bliss

The moments of truth are impacting every kind of organization. A lot of times people think about the customer experience work as the soft, fuzzy part of the business. But it's really not. What we know is if you're deliberate at those intersection points where you understand that the customer is vulnerable or they're having emotions that might turn negative toward you, if you're deliberate in delivering an experience they want to recreate and have again, then you can save that customer and grow that customer.

of the most successful in Connecticut and one that 10% of all healthcare executives go to see.

For example, one of the moments of truth we knew in the insurance business was when you got the bill. If you didn't understand the policy you were buying upstream, when the bill came, we had a lot of customers who had buyer's remorse. So by understanding that that moment of truth when you get the bill could create buyer's remorse, we identified the priority touchpoint of reaching out to the customer before the first bill came to ensure people understood what they bought, to course-correct, and hopefully to save those customers at risk. And that's in insurance.

Another company is healthcare. One of the things that a lot of healthcare organizations have done is to map the touchpoints throughout the many parts of the caregiver experience and a family member, in terms of trying to give care when someone is sick or ill. So, for example, one of the companies I love a lot is Griffin Hospital in Derby, Connecticut. And the moment of truth they identified was when a parent or anybody is bringing someone to the emergency room. As you get closer to the emergency room your stress level increases and so what they did was understand the emotional stress and start to bring it down by playing music in the parking lot. So by understanding that clear moment of truth, they operationalize to changing how you feel about driving into their parking lot and doing that kind of thing is part of what has made Griffin Hospital one



Chip Conley

Founder, Joie de Vivre

If we can aspire to self-actualization as humans, why can't an organization do the same since organizations are just collections of humans? And so we took Maslow's five-level pyramid, we turned it into three levels, and we used that three levels of survival, succeed, and transform to define how we related to our three most important stakeholders: our employees, our customers, and our investors.

On the customer side of things, since that's really the focus of our conversation today, the customer side of things is really the baseline of what a customer's looking for. The survival need for a customer, no matter what industry they're in, is meeting their expectations. If you don't meet the expectations of the customer, they didn't "survive" as a customer, they didn't have a survival experience, they didn't feel like at least they got basically satisfied by the experience. And that's how many companies have built their whole model is let's create customer satisfaction as if that is the holy grail of what we want as customers but the truth is that was 20 years ago or 50 years ago. That was good enough for General Motors or Sears to be an okay company and still be dominant. And today it's a much more competitive world and the internet has flattened the playing field.

And so the step above survival for a customer is meeting my desires. So meeting expectations is the survival need, meeting desires is the success need. When a customer feels successful, they actually feel that the company that they're buying from and that they are creating a custom with—that's what customers are, is they create a *custom* of purchasing from you—you continue to be customary in that purchase when you feel your desires are met because you feel the company gets who you are and they have lived up to a step above expectations. And there's great companies out there that use technology and training to help understand the specific needs of that one-to-one

relationship with each of their customers.

But the companies in the world that actually perform at the top of their game, perform at the top of the pyramid, the peak of the pyramid, and so that's *transformational* customers, companies that create transformational or self-actualized customers. And those are the ones that actually understand the unrecognized needs of the customers, and that's a really hard thing to understand. How can you, as a company, mind-read your customer so well that you understand things that they wouldn't even tell you if you asked them what they wanted? So great companies mind-read the customers such that they understand not just the expectations or the desires, but they understand the highest needs of the customers, which are their unrecognized needs.

Choices
Responsiveness
Personalization
Design



Act &
Engage

Tom Huston

Narrator

So clearly the interior dimension of the individual is important. But how do we actually deliver memorable experiences to that individual? The answer lies in the second quadrant, “Act & Engage”—defined by individual actions and *choices*, the *responsiveness* of both your customers and your employees, and the *personalization* of your products and services, as well as their *design*.



Susan Abbott

Founder, Abbott
Research and
Consulting

I was thinking about the challenges for experience delivery today. So here's one of them. If you work in the First World, subsistence is looked after, except for the truly poor. We have enough to eat, we have methods of transportation, we have shoes for our feet. So if you want to sell shoes, you're way beyond functional. Most people in anything they spend money or time on are looking to do more than achieve, you know, really foundational things. They're looking to enhance their identity. They're looking to create happy memories. I mean, there's a great many things. It's virtually all self-actualization. If you think about Maslow's triangle, almost all services that people spend money on relate to self-actualization. Nobody *needs* iTunes to get through the day. We don't, right?

When we think about experience today, too, and it's timely because we just lost Steve Jobs and his business genius—one of the things I think we all should have learned by now from Apple is that *not sucking* is not adequate. You need to be great.



B. Joseph Pine II

I think the more you learn about somebody, the better you can customize in response to what you learn. The better you customize to them, the more they're going to benefit from that offering. The more they benefit, the more they're going to come back to you. The more they come back to you, the more you can learn. And the more you learn, the more you can customize and get them to benefit and so on. You can create a very virtuous circle based on creating a learning relationship with each and every individual customer. I think that's another key to be able to shift up a level and truly create those experiences within them, because you're customizing to them as an individual.



Kevin Cochrane

VP Enterprise
Marketing &
Customer Experience,
Adobe Systems

So Adobe's heritage is with the creative professional and the web developer and helping them to create immersive multichannel digital experiences. And we've looked now with our digital marketing platform to be able to mobilize those digital experiences and get a consistent customer experience across all interactions and touchpoints. And the way we differentiate here at Adobe is many ways, but at the core of it, relies on the core concept of customer context. Who is your customer? What makes them tick? What all are the interactions that they've had with every single part of your organization? We maintain one consistent customer profile, one consistent customer context. So whether you're clicking through

on a display ad, whether you're opening up an email, whether you're accessing a mobile-optimized website or a mobile application, your entire interaction behavior on the online channel, everything that you're doing in the offline channel interacting with a company's employees, we track all of that context of who your customer is and what is the history that they're having with your organization so we can use that to inform how we can better target content to you and deliver you a more meaningful and relevant experience at every single touchpoint.



Stefan Tornquist

VP Research (US),
Econsultancy

What we've shown in our research, what we've seen in our research is that, in general, companies know a lot more about what their customers are doing and thinking at the top of the funnel. So when they first interact with a website, microsite, social page, we have a pretty good idea of where they're coming from and why they're here.

But as we move down this funnel, as you can see, as we move from yellow to red, we know less and less. *[Referring to onscreen slides.]* So as we move into the conversion stages—why are people buying, why they're not buying, why they recommend, why they don't—we know less and less. So the tools we apply, the resources we apply really diminish as we get further into the funnel. And it's at the bottom of the funnel where it sort of, you know, connects back to the top. The retention area is where our knowledge really falls short. So we don't know why people come back to our sites, we don't know why they buy again, and we don't know why they don't. These are absolutely key issues and there are tools available to help us figure them out.

What we're looking at now is an array of the different tools and techniques that companies use to understand how their customer's experience is going. And this is by usage so we see web analytics—just about universal, online surveys, offline focus groups, buzz monitoring. This is usage, so some of the least used techniques are things like online focus groups and session replay technology.

Now when we go to the next slide, now we're looking at these techniques and the tools by how effective they are and we see a big shift. Certainly web analytics is absolutely still useful for understanding what's happening in the moment, but it's most useful when it's combined with something like session replay which is far more effective than its usage would suggest at this stage in its development. Because when you do that, not only are you looking at the raw data but you have an overlay of the visual—*what's* happening—and the ability to figure out *why* it's happening.



Kerry Bodine

So as we get more and more channels emerging, customers are going to expect companies to really know them as they move from one channel to the next and that's going to create a challenge for companies as they need to create the seamless customer experience across channels. Interestingly, though, for companies to know their customers, they have to actually have more information about them, of course. And so there's going to be this line that companies are coming up to where on the one side they're providing a great, personalized customer experience. On the other side of the line, they're going to be a little bit creepy. And so companies are going to need to learn how to manage that, learn how to provide personalization and the "know-me" factor that customers want while still providing a sense of privacy to customers.



Beth Smits

VP Service Operations,
Best Buy

I have a hypothesis that regardless of how much money you make in a given interaction or set of interactions, it's about driving loyalty and intimacy with that customer. So every interaction needs to have that as an outcome, as opposed to necessarily every interaction driving revenue. Now my retail partners might think I'm crazy for saying that, but I truly do believe that that's the case. And we have some data that has suggested that loyal service customers spend more in the long run than customers who have had no service experience or poor service experience. So it's a balance that is important to strike, and we're still working on how to build the right metrics that will drive an operating model to deliver a great experience.



Relate & Influence

Culture
Reputation
Values
Advocacy

Tom Huston

Narrator

Now that we've gained a better sense of the individual dimension of customer experience, let's move from the one to the many, from the individual to the collective. We begin with "Relate & Influence," which describes the *culture* of both your organization, and that of your customers. Now, the kind of culture you create around customer experience defines your *reputation*—that is, how customers and employees perceive and talk about your brand. And your brand-reputation depends entirely upon how deeply you connect with

the *values* of your employees and customers. Finally, if you are able to connect with those deeper values, and consistently deliver great experiences, you'll develop brand *advocates*, who will tell all of their friends, family members, and colleagues about their extraordinary experiences with you.



Peter Merholz

Founder, Adaptive Path

The rise of the experience economy is a byproduct or is an effect of this shift that we're seeing that's occurring away from the Industrial and Information Age that valued productivity and output and quantification and towards the Connected Age, which thanks to the rise of the internet and people are connected to each other, people are connected directly to businesses, and you're seeing things like social media really on the rise. And in the Connected Age, probably the single most important thing for businesses to understand and to rely upon are relationships, whether it's relationships between the business and their customers or internally relationships between people within an organization. And that shift from the Industrial and Information Age to the Connected Age requires, more than anything else, taking on a humanistic view or bringing humanism into business and recognizing people as people in all of their messiness but also all of their ingenuity in the work context.

A key element to that, for example, is trust. Businesses historically haven't trusted their customers, haven't trusted their own employees. There's been this almost antagonistic relationship between a business and its customers or business and its employees. But what we're seeing is that businesses that *do* trust their customers, that do trust their employees are realizing some really interesting new gains or benefits.



Becky Carroll

Founder, Petra Consulting; author, *The Hidden Power of Your Customers*

Okay, so let's talk a minute about how Verizon is using social media. As I mentioned, I'm a contractor at Verizon and I've worked there for two years and we're doing quite a bit in social media. We're doing things that are both on our verizon.com platform as well as off of our platform. I'll start briefly with what's off of our platform. We're using Facebook and Twitter to reach out to our customers where they're hanging out online. So we didn't just go out and say we need to use Facebook and Twitter. We looked at where our customers are interacting, we looked at where they're having conversation out there online, and we go meet them there. So sometimes it's on the Facebook wall and we'll have entertainment conversations. Other times it's on Twitter and they might have a question about their service or about a particular product or aren't sure why something's happening. So we have teams of people that will go out and work with customers, converse with them, and respond to them. We also try as much as we can just to let customers know we appreciate them being customers and we do that a lot in our Verizon community. So that's on our Verizon site, on verizon.com, and we've got several aspects. Our peer-to-peer support community which has been around for three years. It's great because customers answer other customers' questions. We've got blogs. We've got a new site which I love which is our Verizon Idea Exchange, and there's been a lot of customer collaboration taking place around the Verizon Idea Exchange. What that gives customers an opportunity to do is to go out to our site and they can submit some idea that they have around a new Verizon product or service or some way they might want an existing product or service to be tweaked. And then once they do that, other customers can go out there, too, and they can comment on it, say, "Hey, I love that idea." Or, "Gosh, you know what? I think that that's a good idea but what if you also did XYZ?" For example, a customer might say, "I'd love to have a sleep timer on my television set so I can fall asleep watching TV."

And another customer might say, "That's great and can you turn off my lights, too, when it goes off so that I can really get a good night's sleep?" So those are the kind of things we see happening on our idea exchange. And other customers who maybe have been reluctant to engage in the past, they're not the kind of people to go out and leave a big message or a post or even to post on Facebook, but they're willing to vote for other customers' ideas and put in a little bit of a "me too." So that's been great for our engagement.

The other thing that's really cool about it is that it's changing the way that we really do business inside of Verizon so our product teams are out there monitoring, managing on a regular basis those conversations, and they're publicly discussing with the customers what they think about the ideas they put forward, validating certain ideas, telling them other ideas that have gone ahead and launched, maybe other ideas we say, "Gosh, we can't do that right now." But we're making sure that we're making it a two-way dialogue with our customers which has created a great opportunity to really help craft the experience for every Verizon customer that works with us on that.



Peter Merholz

USAA—it's probably a couple years ago now—launched mobile check deposit, that ability to take a picture of a check with your mobile phone and send that in, instead of having to put a check in an envelope, putting a stamp on that envelope, and mailing it in. Trusting that people are doing this right and not defrauding you? Again, it's a huge leap of faith on the part of the company for their customers. Now, the value of mobile check deposit wasn't just for their members who didn't have to deal with remembering to mail checks in—and I'm speaking as someone who is terrible at that. The real value of mobile check deposit was for USAA. They don't have physical

branches. They don't want to deal with paper. Handling of paper is a cost for USAA. So if they can remove paper from the situation—if they don't have to receive envelopes, open those envelopes, look at the checks, etc., and handle that, but if they could do it all digitally, they actually realized a huge amount of savings themselves.

And so what we're seeing is that there's this opportunity when companies trust their customers for there to be this classic business school “win-win” for the both the company and their customers, because oftentimes what can be in the best interest of the customers can also be in the best interest of the company.



Lance Williams

Director of Customer
Management, Sprint
Nextel

You know, it's been well documented in the press that Sprint, when our CEO Dan Hesse took over back in 2008, JD Power, Nielson, all of these customer satisfaction surveys had Sprint in last place, dead last in most cases, and trailing last in many cases. So when Dan took over, one of the key initiatives he came up with was improving the customer experience. And he insisted every employee, every executive, every person in the retail store, every person working on the network that calls the care in customer experience was something they were going to be compensated on. Every staff meeting that Dan Hesse has had since he's been here, the very first topic of agenda is customer experience, so each of the president-level folks at his round table are accountable for the customer experience and they start that conversation there every week and they take that to their staffs and have the conversation and it happens all the way throughout the company.

So it really started with that compensation but now I'll run into people on Sprint campus who work in the network who want to know about calls to care, who want to know how we're doing in JD Power. Those conversations never would have happened back in 2006 and 2007. They happen on a regular basis now. The biggest thing really is every employee in the company needs to see themselves as an advocate of the customer experience.



Beth Smits

The way we ensure our customers have a great experience on an individual, one-on-one basis with our employees, is we actually start with our employees first. It's easy to say that and it's hard to do when you're dealing with 20,000 Geek Squad agents and installers and repair technicians who work across 1100 retail locations, and probably 85 or 90 remote field locations where they travel to customers' homes and all of our service centers, etc. But you have to start with the employee first, and you have to focus on what the employee culture stands for.

So, that is the one thing that I think we've learned more importantly than anything else out of the acquisition of the Geek Squad almost 10 years ago now. By putting employees first, and really make sure they understand why it is they do what they do, how to do what they do, give them robust training, give them the tools they need to do their jobs, give them an opportunity

to interact with each other in a lot of channels—that helps perpetuates the culture of the experience we're trying to drive.

And then you try and remove the roadblocks that get in way of being able to deliver that great customer experience, and again, in whatever channel the customer wants that experience, whether that's a Best Buy store, or whether that's in their home, or their place of business, or through our remote support site, or even on the phone. And that's really, really difficult. So that's why we have an operations team here at the corporate office that tries to build tools and equipment to allow our teams to do their job, build consistent processes. But it always comes back to, does the employee feel like they understand what it is they're trying to deliver, and how are we measuring that, and how are we sending our employees to do that? It's always been employees first as we've thought about that kind of customer experience.



Stefan Tornquist

One of the most important elements of the customer experience is customer service. That's when we talk to our customers at those make-or-break moments. They can have a customer experience that will either send them running to a different provider, different vendor, different store, or will leave them remembering the excellent customer service that they had. Depending on your demographic, a small number of your folks are looking for customer service on social media right now and that number is going to grow, or it's already a major source of questions, complaints, requests.

Now a lot of companies say that today it's not there yet, that just about 20%, 17%

say that today it's a highly significant trend but they see that absolutely changing over the next few years.

This is one of the areas where I would actually disagree with our sample. I would say that it's highly significant today because it's the early adopters, those people that have 800 people on Facebook plus 500 on LinkedIn, active Twitter followings... Those are the people who are immersed in social, those influencers, and they're the ones who have the highest expectations for our ability to deliver in social channels. So highly significant, *right now*.



Brian Solis

Principal Analyst,
Altimeter Group;
author, *The End of
Business As Usual*

You can't get closer to the customer if you're not empathetic, yet we're taking this data and we're optimizing businesses processes, we're automating business processes. You talk to any CEO and they'll tell you that our focus of 2012 and 2013 is to get closer to the customer. Yet social media is already in a silo within the organization. The number one, two, and three places where social media exists today is marketing, marketing communications, and public relations. Service is at the bottom. CEOs, the C-suite, they don't actually use any of these tools. So how are they getting closer to the customer exactly? By focusing on the M in CRM instead of the R. They're placing technology in between them and the customer and what we're really need to do right now is focus on the *relationship*. That is one-on-one engagement and in the era of connected consumerism, that one-on-one engagement leads to a one-to-one-to-many benefit that helps customers and also helps your business, right? I'm not saying you can't focus on profitability and if that takes streamlining, then so be it. But you can streamline through human engagement, through customer engagement in a way that leaves people feeling great, creates better experiences, and scales because you are reaching the masses through the shared positive experiences of your customers.

Big Data
CRM
Segmentation
Retention & Loyalty



Analyze &
Optimize

Tom Huston

Narrator

We've now seen how much both company culture and today's connected customer define the new experience economy. But how do you make sense of it all? How do you process those millions of transactions and interactions—or, what's commonly referred to as "*Big Data*"—into a consistently evolving customer experience? What does it look like to translate that data into *well-managed customer relationships*? How do you *segment* those relationships across your entire organization? And how do you develop

the systems, processes, and protocols to *retain* and develop *loyal* customer relationships for life? That's what we explore in the fourth quadrant: "Analyze and Optimize."



Kerry Bodine

So we've of course seen an explosion in the technology field but when we're talking about customer experience, we typically tend to talk about these technology changes from a consumer point of view. So we talk about the emergence of the web and social networking. We talk about smartphones and tablets. We often forget, though, that there have been major technology changes *within* organizations as well in order for them to really deal with all of these new customer channels. And we're going to see more and more customer channels emerging as time goes on, and this is going to create an enormously complex challenge for companies as they learn to manage the customer experience across all of these different channels and create a seamless customer experience.



Marco Pacelli

CEO, ClickFox

So I believe the world has created a situation where we, as humans, have become interaction junkies. We interact with more channels than ever before. We not only email more than ever before, but we text, we access ecommerce systems and websites more than ever before, and we have endless ways of accessing this information. And it is going to continue to multiply on a magnitude that is beyond even where we are today with this kind of accessibility to information coming into the homes, coming into the cars, coming into the everything that we touch and everything that we do. What this has done is generated an abundance and a surplus of data beyond control. Corporations are building deeper and wider tanks and they're putting more and more data into these tanks hoping that somewhere somehow someone will find value in this data. You know, in the old days, it was very simple. You had information about a transaction that was completed which is, you know, a phone was purchased, a house was purchased, a bill was paid. Today, a single *transaction* of something that happened can have happened through hundreds of different *interactions*.



Tim Ogilvie

CEO, Peer Insight;
coauthor, *Designing for Growth*

In my view, technology is driving what we're calling the fourth wave of customer experience, that never before was there this ubiquity of information available before, during, and after an experience and the possibilities of creating value for customers is just exploding. What's true about the fourth generation of customer experiences is that it's becoming much more personalized in terms of what we can offer somebody. Right, so if in the third generation, the brand was experienced as theater and the brand was a promise that you made for all time, now in this generation, the brand is still a promise for all time but it's also a promise of being in a dialogue with the customer, a rich dialogue with, you know, different types of data flowing.



Stefan Tornquist

As we look at the different ways in which we can sort of monitor and respond, you know, marketing is actually pretty good at monitoring tweets that are happening and responding to tweets. But the problem really comes in the communication with customer service. We're just marketing, we can't necessarily make the products—get the products off the shelves and deal with those issues. And so as we see, sharing those comments internally, learning from comments, that's not an area—that's not a strong area for us as an industry. And monitoring tweets from—by customer service? Also not a strong area. So those companies that really excel at this are going to figure out how to jump the silos between marketing and customer service, figuring out really solid methodologies for escalation and for routing so that people who are standing in the line at LaGuardia, they tweet about it, before you know it, there's a response from the company there on the floor.



Steve Rubel

EVP Global Strategy
& Insights, Edelman

Increasingly today consumers are engaged in experience across really an array of media and they are doing so across four screens. No longer can you just participate in one channel. We are advising clients to engage in what the industry is really calling “transmedia storytelling.” And to do that we recommend that you fully leverage four distinct kinds of media, but utilize them in a cohesive integrated way.

The first is traditional media which has powerful reach and these are household brands that we all grew up with and know and love. The second is a group that we call hybrids, which are half traditional and half digital. On one hand they look like media companies but on the other hand they are digital and social DNA—blogs would be great examples of that. Three, it's companies as publishers, what we call “owned media,” for companies to become their own media companies and to have an experience they provide their customers there. And then finally, there's social—to be part of the conversations that we know are shaping experiences every day.



Jeff Jonas

Chief Scientist,
Entity Analytics Group,
IBM

So today I think organizations are experiencing something that I think of as enterprise amnesia. It means like having the red puzzle pieces in one hand and the green puzzle pieces in the other hand but because they can't see the two pieces relate, they end up missing the obvious. And it makes organizations look incompetent or sometimes negligent.

You see it in many different forms. You know, I refinanced a house once with a bank and then they called me every single week for six weeks trying to get my business when they *already* had it. That's amnesia. I did some work for a large retailer once. We found that two out of every thousand people they were hiring had already been arrested for stealing from them at the same store. That's enterprise amnesia.

It is getting progressively worse because the amount of data that's being created on Earth, the amount of data that's in the observational space of an organization, how much data is available to them is growing on one curve, like this. And the ability of organizations to harness it and figure out how it relates to each other has been flattening out like this. That gap is widening. If you can make sense of seven percent of what you know today, tomorrow it's four percent, the next day it's one percent. So this is bad and it makes organizations inefficient. They miss customer opportunities and they miss risk.

So as organizations go to deal with enterprise amnesia then the question is, well, how would they do that? Well, I think of a class of tools that I would call context accumulating tools. It's like taking a puzzle piece to the puzzle. You get a new transaction in your enterprise, you just learned something. What does it mean? Is it good news or bad news? Should you try to sell them something or is it a risk? If you just stare at that puzzle piece and put analytics on it, it's very difficult to figure out

if that is important or not. It's like getting a puzzle piece out of the box that has flames on it and just yelling, "Fire." Only if you take it to the puzzle do you realize it's in a fireplace.

Moneygram implemented some context accumulating technology and a couple things happened. One is their fraud complaints dropped over 70%, which is amazing, and a cooler story, a story that I just—it really is exciting for me is they had a particular case, a lady. She's 100 years old and a grandmother and she got a call from her grandson who said, "I'm in despair. I need 2500 for bail or whatever to get out of jail. I can't call Mom and Dad. Please help me." So the 100-year-old grandmother goes to Moneygram and makes a request to transfer 2500. Moneygram says, "No. We think it's fraud." And the grandmother says, "No, it's not. I've spoken with him. Please transfer the money." And Moneygram says, "No. We don't really think we should transfer the money." She says, "I've been giving you my business for years. I can't believe you're not doing this in my time of need."

Now I tell you, Moneygram—it would not have been their loss if they would have transferred the money. What does it take in terms of a quality of a prediction to overrule a human that keeps saying, "No. Yes. Please do it?" Well this is true. Moneygram held their ground and said, "No, we're not going to transfer the money. We're quite sure it's fraud." Well, two or three days later, the grandmother calls back in tears, thanking them. The idea you can have predictions that strong is really cool and I think that's an example of harnessing your observation space. And I think the organizations that do a better job harnessing their observation space faster than the competitors, those organizations are going to be the winners.



Bob Thompson

CEO, CustomerThink

We fielded a study with U.S. consumers and found that about 80% of them suffer from what I call touchpoint amnesia. That means that companies would forget information that the consumer had provided during the first interaction to the second interaction. So they have to repeat themselves. Now we've all had that experience. It's very frustrating. But you might be surprised at the impact of this on your customer relationships. We found in our study that consumers that suffered from this touchpoint amnesia were 50% less likely to recommend the company and they were 24 to 35% less likely to purchase, depending upon how severe the problem was.



Tom Davenport

President's
Distinguished Professor
of IT & Management,
Babson College

I think in the past that the whole customer experience idea has been often viewed in kind of soft and squishy terms. You know, people want to have great customer experiences and, you know, we've talked about the experience economy and so on. But I think analytics have real opportunity to kind of change the way we view the customer experience, particularly multichannel analytics. Almost all customers these days interface with organizations through multiple channels and I think it's fair to say that most organizations are not very good at even keeping track of the same customer across channels. We've all experienced the phenomenon of even having to present all of your customer information again when you move from

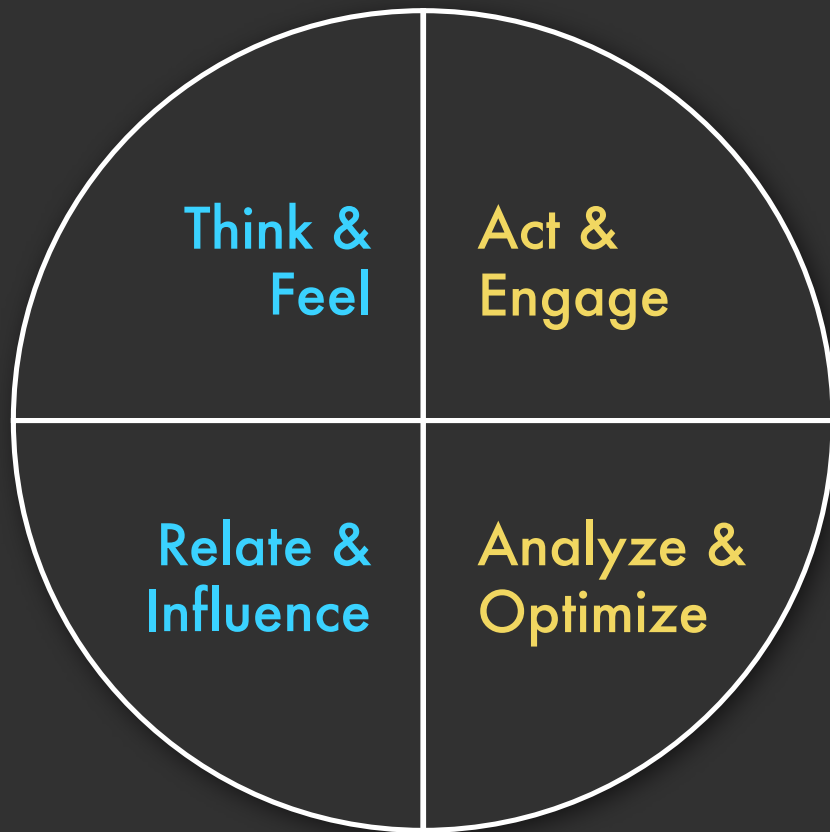
an automated voice response system to a human being on the same phone call. So imagine how difficult it is for companies to keep track of the same customer across online channels and face-to-face channels and call center channels and so on. But I think that's what we have to do, we have to know exactly how often and under what circumstances a customer has interacted with us in recent experience, you know, how satisfying that experience has been, and to start making predictions about what that means for what they'll buy from us, how likely they are to leave us as a customer, particular products and services that they may be interested in buying from us going forward so we can make great next-best offers to them.



Marco Pacelli

We are a global economy, we're a global population. It's not like there's a billion people hiding somewhere in a country that will create a new economy. We know everybody and everybody knows everybody and pretty much today with technology and social networks, you can be in touch with anybody around the world and they can be in touch with you. So there are no new customers so companies have to do a better job at leveraging the customers they have, keeping the customers they have. It is critical for corporations to look at the

experiences of these customers on a daily basis and leverage that because they're not going to go out and get a million new clients. They may sell a million new products to the million existing clients and that's why leveraging the data to understand customer experience is very critical and it is one of the advantages that you will gain, one of the many advantages you will gain at gluing the data together and being able to analyze it instantly.



Tom Huston

Narrator

I hope you can see how you truly do need all four quadrants to deliver an integrated customer experience today. So how do we bring them together? And what are the major forces, factors, and perspectives we need to understand in order to apply the Integral Customer Experience model to our own organizations?



Kerry Bodine

I think the Age of the Customer really represents a convergence of three major forces. So one certainly technology change that has both created new and emerging touchpoints for customers and companies to interact and also at the same time really commoditized a lot of previous technologies that companies relied upon for market dominance.

The second piece of this is the changing nature of our relationships. So social media and other tools really shifting the power from organizations to customers and consumers.

But the third piece that I would bring in as well is design, and this idea that experiences need to be designed in some way. You can't actually design the experience itself, but you can design for the experience. You can make sure that you are actually being conscious about the way that you are delivering the experience and I think that's something that's also new for a lot of companies. Experiences kind of just happened, but now companies are being much more deliberate about the types of experiences they want to provide and taking the time to actually design those, either internally with their own employees or partners and increasingly also in bringing customers into that equation as well through co-creation.



Mitch Wagner

Editor in Chief,
The CMO Site

Which is more important, your left leg or your right leg? Both are essential. Both the human element and metrics and analytics are essential to driving a good customer experience. You need the human element because people do business with people. They don't do business with companies and brands. You also need the human element to supply the creativity. But to measure what you're doing—to measure whether what you're doing is working—well, you need metrics and analytics for that.



Kevin Cochrane

So we really view it as the merging of the art and the science. There is no one approach, pure data, pure analytics approach, a pure kind of brand messaging, brand marketing approach that's sufficient in today's day and age. You need to have the marketing process optimized. You need to have the deep analytics so you can actually discover new traits and new segments for your customer base. You need to be able to optimize every single interaction point based on historical behavior, profile, and social interactions. So there is absolutely a science to this thing. But you have to remember that customer experience is about *brand*. It's not just about driving demand. And when you're talking about brand, brand is an emotional association a person has with your company, product, services, and employees. And it's

incumbent upon today's marketers that they need to understand what is the emotional impact, what's the emotional relevance that they're looking to actually elicit from their target customer base? And that emotional relevance needs to be inculcated into every experience that the customer has. So, like I said, I mean it's both an art and a science. If you just implement the science but you don't actually understand the emotional connection that you're trying to get with your customer, you're going to ultimately fail in building your brand. If you just focus on that emotional connection but you can't optimize the experience and you can't actually measure the results of all of your marketing spend, you're not going to be able to drive sufficient demand to secure more budget to actually even do further marketing activities.



Brian Solis

The future of your business, the future of your brand, what it means, is not created in a top-down format in a one-to-many monologue marketing style that we're all so used to seeing, witnessing, or even creating. The future of your brand is co-created and if you don't believe me, just go to Twitter or just go to Facebook. Go to Google Blog Search and see what people are saying. Throw that into Wordle and get a collective experience in a word cloud where all of those words define your brand based on how people have experienced it, not based on what you said about yourself, right? This isn't the Age of the Customer; this is the Age of the *Connected* Customer. And it is to the benefit of all customers because this connected customer doesn't just tweet, doesn't just update their status on Facebook or blog or create YouTube videos. They're

incredibly connected. The apps they use, the actions that they take, the decisions that they make inherently influence the steps and behaviors of those that they're connected to and those that they're connected to. This is the age of marketing and servicing an audience with an audience of audiences. In fact, these individuals are far more connected than even the most traditional media out there, and we see big trends, for example, around big data. And I have this saying, it's "mo' data, mo' problems." And the reason I say that is because where's your business intelligence unit at your company today? Have you ever talked to them? Where's this data going? How's this data being processed? How's this data being fed back into functions, lines of businesses, marketing, sales, service? How are you taking this data and translating it not just into insights but into empathy?

Tom Huston

Narrator

Over the course of the past forty-five minutes, we've explored the many dimensions of customer experience in today's rapidly changing world. We've seen how experience alone is not enough—you need, now more than ever, advanced and robust data collection, analysis, and optimization. But the insight you glean from that data isn't an end in and of itself. It's a means to creating more memorable experiences at every customer touch point; to ensuring that your customers share those experiences across their networks, and that they build ongoing relationships with you. It's a means to creating a company culture that delivers consistently superior customer experiences. And, ultimately, it's a means to creating a great organization, one that continuously adapts to the changing nature of customer experience, that turns chaos into order, and that reaches ever higher levels of performance, profitability, and evolutionary potential.

