



CREATING THE
**UNCOMMON
CUSTOMER
EXPERIENCE**

PERSPECTIVES

Vol.09

TATA CONSULTANCY SERVICES



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A WORD FROM KRISHNAN

Making The Next Great Leap In The Digital Customer Experience

When big companies talk about disruptive change, the change they invariably mean is about the way they do business with customers—i.e. customer experience. How companies market their offerings (campaigns increasingly tailored to narrower markets—often to the individual), sell them (problem-solving conversations rather than just explanations of features, functions and pricing), and service them (i.e., monitoring and fixing things before they fail)—are all up for renewal.

Any company that isn't rethinking the experiences it provides to customers in marketing, sales, and service is risking its competitive standing. Conversely, those that are ahead in this game are rewarded with higher and more profitable revenue, as well as greater loyalty.

As you'll see in the articles in this new edition of *Perspectives*, the skills necessary today to deliver breakthrough customer experiences are numerous and eclectic—from experience design, embedded software development and customer analytics, to artificial intelligence, data science, and culture change. That's a key reason why customer experience transformation has become a complex and challenging endeavor.

Yet many companies are meeting the challenge. In this publication, we tell you their stories and the methods they used to leap ahead.

A handwritten signature in blue ink, appearing to read 'Krishnan', with a long horizontal stroke extending to the right.

Krishnan Ramanujam

President, Business and Technology Services
Tata Consultancy Services



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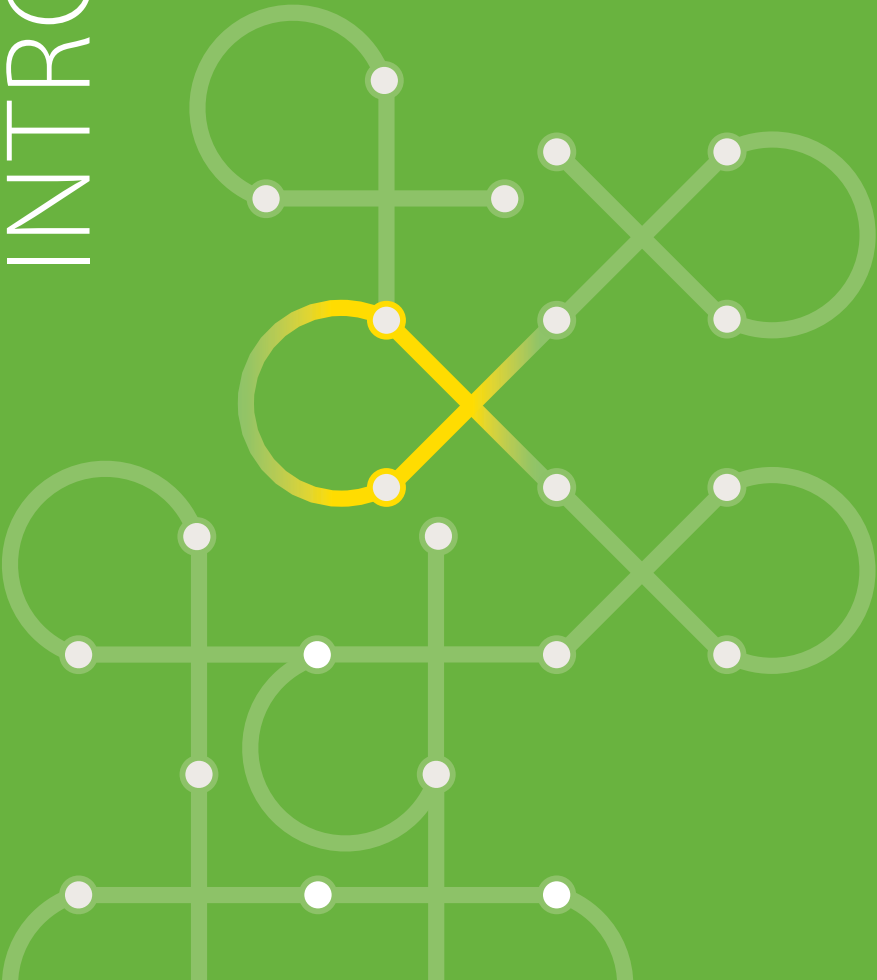
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INTRODUCTION

The View Inside

Our Take on the
Customer Experience Revolution



Author

By Krishnan Ramanujam

President, Business and Technology Services, Tata Consultancy Services

You probably need little evidence to believe that the experience your company provides to its customers—in learning about, buying, and using your offerings—is hugely important today. But for the few doubting Thomases left in the business world, I have data (Google data, that is).

As you might know, Google tracks the world's digital information. According to its indexing of books since the 1980s, seen in Figure 1 using the Google Ngram Viewer¹, the term 'customer experience' trawls along the bottom of the chart until 1997, a time in which (and not so coincidentally) customer relationship management systems began sprouting up in large corporations. (One of the pioneers and early powerhouses of CRM software, Siebel Systems, was born just four years before that.) Then the curve shoots up, all the way through 2008 (the last year for which Google's Ngram Viewer provides results).

¹ Time.com, The Rise and Fall of Practically Everything, as Told by the Google Books Ngram Viewer, January 16, 2014, accessed May 19, 2017, <http://techland.time.com/2014/01/16/google-books-ngram-viewer/>

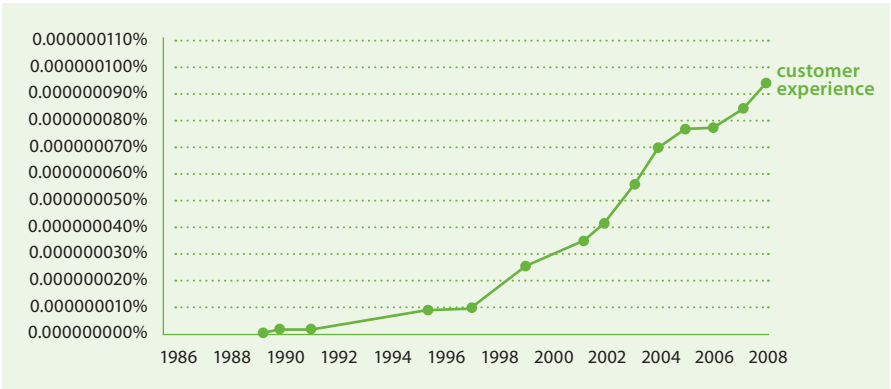


Figure 1: The Rise in Interest in Customer Experience (as Shown in Books Indexed by Google)²

So what about since 2008? We turn to another Google product, Google Trends. It indexes how many times the term was used in Google searches. The answer: The popularity of the term has more than doubled since 2008, as shown in Figure 2 below.

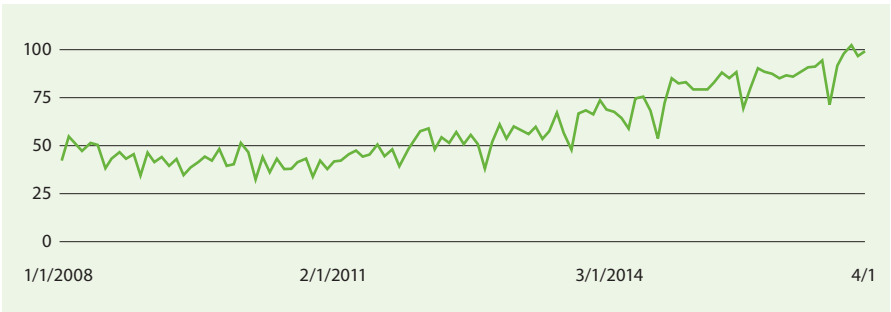


Figure 2: The Rise in Interest in Customer Experience (as Shown in Trends Indexed by Google)³

² Google Books Ngram Viewer, accessed May 19, 2017, https://books.google.com/ngrams/graph?content=customer+experience&year_start=1985&year_end=2008&corpus=15&smoothing=3&share=&direct_url=t1%3B%2Ccustomer%20experience%3B%2Cc0

³ Google Trends, accessed May 19, 2017, <https://trends.google.com/trends/explore?date=2008-01-01%202017-05-17&q=%22customer%20experience%22>

The notion of the 'customer experience' is mesmerizing many C-suites, and it's not a fad that will fade away. We believe it's not only here to stay, but that it will become paramount. In fact, many large companies in recent years have come to Amazon founder Jeff Bezos' epiphany: becoming obsessed with customers.

The time to transform the experience your company provides customers is now. Not in two years. Not by 2025. But now. In this issue of TCS Perspectives, we show you how.

The following articles lay out the thinking of top TCS customer experience experts—consultants who work on the front lines with clients, whether they make industrial goods, consumer products or automobiles, or whether they provide services such as walking through retail stores and bank branches, or seats on an airplane or rooms in a hotel. Allow me to tell you a little bit about each article and what I believe makes it noteworthy:



Designing Customer Experiences (CX)

Forget Everything You Know About Bricks and Clicks (It's Wrong, or Soon Will Be): Authors David Nelson and Jim Walb make a compelling case about why every company must look outside their industry to vault ahead in the customer experience. The key is to look at firms that provide superior outcomes for customers, because ultimately that's all that matters.

The Four Core Competencies of CX: Interview with Bruce Temkin: The Temkin Group has become renowned for its stellar research on CX leaders in many industries and its practical advice. Bruce lays out four core competencies that he believes are necessary for companies to provide a superior customer experience: purposeful leadership, compelling brand values, customer connectedness, and employee engagement.

When CX Should Begin with Tweaks, Not Disruption:

Not every company must come to market with a 'disruptive' customer experience. Some only need small adjustments to generate greater customer loyalty, revenue and profit. Paul Ignasinski explores two steps by which companies can identify those opportunities, and put their resources against them.

The Seven Deadly Myths of Today's B2B Sell:

In business-to-business customer interactions, the experience that sales people provide, make or break relationships every day. Lisa Hager sheds light on seven myths that many B2B sales executives and their teams operate under—beliefs about selling that were once sacrosanct but no longer are. She also explains what to do about them.

Personalization Boundaries: Tuning in to Customers Without Turning Them Off. Every company today can, and must, tailor its interactions (especially the digital ones) with customers. In fact, research says customers expect it—until the personal touch turns them off. Dave Anderson and Keith Wheeler explain how to keep within seven guardrails, and prevent personalization from becoming creepy.

Designing for the Small Silver Screen:

The iPhone was introduced 10 years ago, and mobile apps now consume hours each day in the average consumer's life. It's critical for companies to design their apps right, which isn't easy because the competition is intense and app technology grows ever more powerful. Two of our app experts, Oghie Ojior and Skip Vanderburg, give you three ways to raise your app game.

Not every company must come to market with a 'disruptive' customer experience. Some only need small adjustments to generate greater customer loyalty, revenue and profit.



The CX After the Sale

How IoT Technologies Are Revamping the Post-Sale Experience:

Experience: The Internet of things seems to be as popular a topic as customer experience. There's good reason for that: Companies that embed digital sensors in their products and on the premises in which they do business can track customers and how they are using those products. Authors Gill Hide, Alex Prigojine, and Robert Perry explain five fundamental ways that companies can use IoT technologies to dramatically improve what customers do with your offerings after they buy or rent them.

Reimagining the Contact Center with Digital Technologies:

Experience: The call center is a thing of the past. Companies now need contact centers whose employees (and increasingly AI-driven systems) respond to customers who phone in, email, type in social media comments, and text message their questions and complaints. Natarajan Baskaran and Rohit Kale explain how to evolve the call center in three stages.

The Magic That Can Happen When Manufacturers Digitally Attach Themselves to Their Products:

Experience: The internet of things is not only turning consumer sectors inside out, it's now redefining the way industrial and other manufacturers relate to their customers. As Sreenivasa Chakravarti and Subhash Sakorikar explain, companies that take six bold steps, can do wonders in improving the experience that customers have in using their products.

Using IoT Technologies to Completely Rethink the Customer Experience:

Experience: Interview with Ric Merrifield: Merrifield has been at the intersection of digital technology and business and operational strategy for many years, at Microsoft and other companies. He wrote a groundbreaking *Harvard Business Review* article on web service architectures nearly 10 years ago, a book called *Rethink*, and more recent HBR articles on CX in a world of IoT technologies. Merrifield discusses life on the front lines of major CX initiatives at such companies as Starbucks and Disney.



The Future of CX

Why Your CX Must Soon Plug and Play into a Digital Ecosystem: Digital ecosystems are online platforms that make life infinitely easier for consumers by bringing to bear in one place everything they need to make a major purchase—a car, a home, a vacation, and even a new career. Antony Grigg makes a strong case about why executives must figure out how their companies must play in the digital ecosystems that will soon encompass their products and services.

What Comes after CXM? Helping Customers Help Other Customers: CXM is what came after CRM. But what comes after CXM, when you and your rivals provide competitive customer experiences? Steve Goren and Anthony Butler believe it will be ICRM—Inter-Customer Relationship Management. Simply put, it’s about how a large company can broker business between customers—i.e., customer to customer—in a scalable and profitable way.

The internet of things is not only turning consumer sectors inside out, it’s now redefining the way industrial and other manufacturers relate to their customers.





CX Leadership

How the CEO Can Propel a CX

Initiative: CX is indeed a CEO issue, and there are five crucial roles for CEOs to play in these initiatives. In my concluding article, I examine how the leaders of Domino's Pizza, Burberry, Pepsi, Virgin Group, and Airbnb played these roles, and by doing so ensured the success of the initiatives.

Just as your company strives to delight customers in their journey of buying, using, and renewing the purchase of your products, we strive too in this edition of *TCS Perspectives* to intrigue you with our ideas. We strongly welcome your feedback.

Yours truly,

Krishnan Ramanujam

President, Business and Technology Services
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DESIGNING CX

**Forget Everything You Know About Bricks and Clicks
(It's Wrong, or Soon Will Be)**

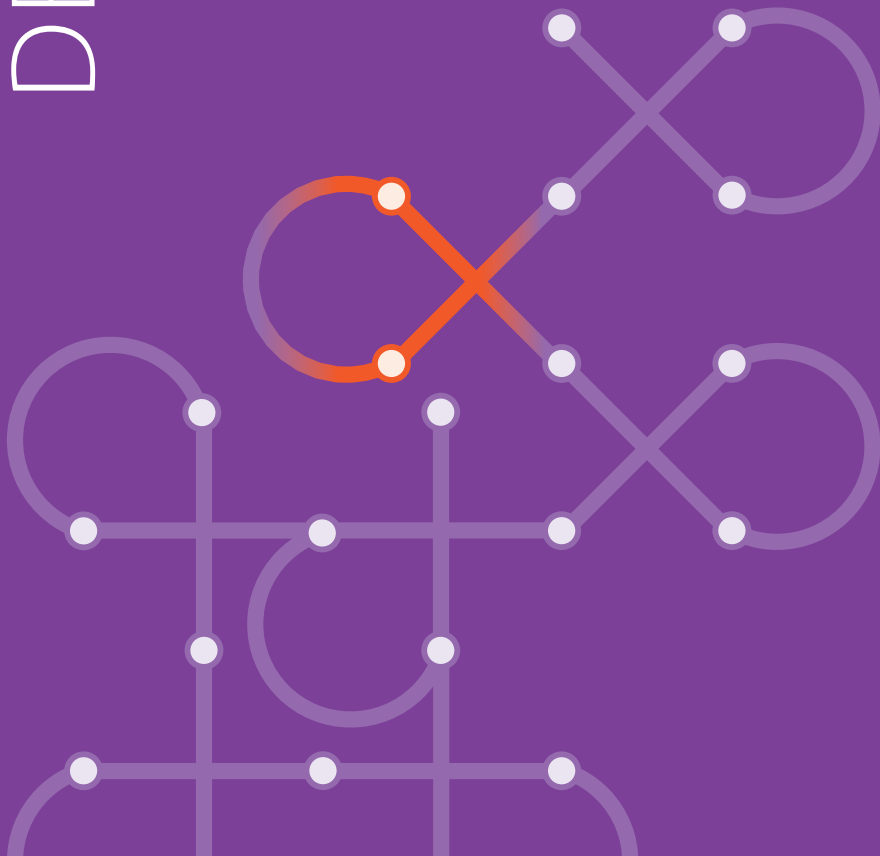
**The Four Core Competencies of CX:
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Designing for the Small Silver Screen



Forget Everything You Know About Bricks and Clicks (It's Wrong, or Soon Will Be)

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For some time, many senior executives have focused on providing superior customer experiences through innovative combinations of 'bricks' and 'clicks'. They tell us their goal is to provide a CX that is better than (or at least on a par with) their leading competitors. It's a laudable target, even if it has eluded most for decades. But what they don't realize is that they may be chasing the wrong benchmarks. The next big CX breakthrough is more likely to come from outside their walls and digital channels than from within them.

Examples abound of new entrants that revolutionize the CX standard in an industry, disrupting the competitive status quo, and quickly capturing market share. An outsider, a Silicon Valley startup named Uber, used an app to create a revolutionary CX in the taxi industry which well-established players are still struggling to match. A computer maker, Apple, used mobile checkouts, in-store experts (the Genius bar), and onsite seminars to reinvent the CX in consumer electronics retailing. Two software executives created Netflix's mail and

later, streaming services for movies, sounding the death knell of the video rental store CX.

These examples show why company leaders must look beyond their industry's borders in search of new CX models. To do this, they must focus more on the outcomes their customers are seeking and less on how they and their current competitors are delivering those outcomes.

The Currency of CX is Outcomes

Today, companies more than ever need to consider the outcomes that customers desire in dealing with them. The many new experiential options enabled by digital technologies and social media are causing customers to question the outcomes that their current suppliers provide.

Today, customers set their expectations based upon interaction (and consumption of products and services) with lots of other companies in any given industry

By outcomes, we mean the customers' goal or desired result in doing business with you. For example, a customer outcome might be to simplify a complex task. It's one reason why Quicken Loan's Rocket Mortgage, which can finance a home purchase in less than 10 minutes,⁴ has taken off. (Rocket Mortgage accounted for \$7 billion of the \$96 billion in home loans that Quicken funded in 2016, which would make it one of the 30 largest mortgage companies in the U.S.)⁵ Another

⁴ Time.com, You Can Now Be Approved for a Mortgage in 8 Minutes, December 1, 2015, accessed May 2, 2017, <http://time.com/money/4129146/quicken-loans-8-minute-mortgage/>

⁵ PRNewswire.com, Fueled by Rocket Mortgage, Detroit-Based Quicken Loans Achieves Record-Breaking Year, March 7, 2017, accessed on May 16, 2017, <http://www.prnewswire.com/news-releases/fueled-by-rocket-mortgage-detroit-based-quicken-loans-achieves-record-breaking-year-300419416.html> Accessed May 2, 2017.

outcome is the need to receive a product or service with less hassle—a reason why millions of us now use Uber and Lyft rather than stand in long taxi lines or jockey for position to flag down cabs on busy corners. Other outcomes might include a less contentious shopping experience (think CarMax in buying used autos) or fast, easy installation of new purchases (e.g., Best Buy's Geek Squad). Such outcomes are always a value to the end customer, and at the moment of need.

The burgeoning number of financial technology startups is a notable manifestation of this trend. In retail banking, customers are abandoning neighborhood banks for internet-based banks. In commercial banking, customers are questioning the value of relationship managers. Across consumer, corporate, and institutional banking sectors, customers are asking, "Is my financial provider getting me the results I need or is there a better way to achieve them?"

Companies need to think about CX from a customer outcome-based perspective, and then look at the best practices of companies outside their industry to reinvent how they deliver those outcomes. Some executives, including Joe Foley, chief marketing officer of Unum Group, an insurance company with \$11 billion in annual revenue, are already doing this. "Today, customers set their expectations based upon interaction (and consumption of products and services) with lots of other companies in any given industry," Foley told *Forbes* in 2015.⁶ "It's really set by what they've come to expect across the universal spectrum of customer service in their personal lives."⁷

Understanding the outcomes that customers desire is not always a straightforward task. But fundamentals—basic truths about customer outcomes—exist across the spectrum of CX possibilities that can help executives define the outcomes that matter most to their company's customers.

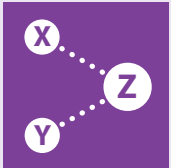
⁶ Forbes, Look Outside Your Industry -- Top CMOs Share New Ways To Connect With Customers, March 9, 2015, accessed May 2, 2017, <https://www.forbes.com/sites/robertreiss/2015/03/09/look-outside-your-industry-top-cmos-share-new-ways-to-connect-with-customers/#52aa77863b44>

⁷ Forbes, Look Outside Your Industry -- Top CMOs Share New Ways To Connect With Customers, March 9, 2015, accessed May 2, 2017, <https://www.forbes.com/sites/robertreiss/2015/03/09/look-outside-your-industry-top-cmos-share-new-ways-to-connect-with-customers/#52aa77863b44>

Four CX Truths

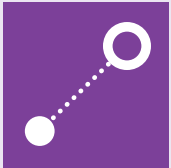
There are four truths about delivering superlative CX that apply to every industry today and for the foreseeable future.

1. Not all customers want the same experience, but all might want a similar outcome.



The outcomes customers desire are shaped by their distinctive wants. For instance, Ryanair and Singapore Airlines are both in the business of flying customers from point A to B. But the outcomes their customers desire are very different. What Ryanair's customers want is a low fare, while customers of Singapore Airlines (with its premium service model) desire something very different. Both airlines are successfully transporting their customers but delivering a different CX to their customers. The lesson? Different CXs are required for different customer segments.

2. Customers want to acquire products and services as efficiently as possible.



This is why Amazon has built vast warehouses across the U.S., and why it is now seeking to make the order-to-delivery process even more efficient by using delivery drones and taking orders via its AI assistant Echo. "In our retail business, we know that customers want low prices, and I know that's going to be true 10 years from now. They want fast delivery; they want vast selection," says CEO Jeff Bezos.⁸

This truth also explains why many retailers are struggling to get bricks-and-clicks right. The 'bricks' part of the experience continues to be far too inefficient. Many consumers now order items online and pick them up in a store. Yet, as a TCS 2016 survey revealed, they are often left disappointed by long lines and ill-informed store personnel.⁹

⁸ Youtube.com, 2012 re:Invent Day 2: Fireside Chat with Jeff Bezos & Werner Vogels - Amazon Web Services, November 29, 2012, accessed May 16, 2017, <https://youtu.be/O4MtQGRlluA>

⁹ Aashish Chandra, "Transforming Shoppers Into Engaged Collaborators" 2016 TCS/RIS News Shopper Insight 360 Study, July 1, 2016.

3. Customers will only do business with 'bricks' companies that offer a unique, value-laden CX.



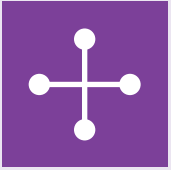
If physical stores are to remain viable in the digital era, two conditions must be met: The CX they offer must be one that can't be done as well (or at all) online, and it must provide compelling value to customers. If either condition is unmet, customers will skip 'bricks' and gravitate to companies that deliver the best online

CX. Additionally, the bricks must be part of an overall customer value proposition, one in which there is synergy between the bricks and the clicks. Apple excels in this model.

This truth has many retail banks worried. They know that the experience of their physical branches is not compelling enough to stop online-only banks from siphoning off customers. But there are lessons from other industries that can be instructive. Apple, for example, built a \$28 billion a year retail business, in part by offering an experience that wasn't available from online consumer electronics retailers, including repairing its products on premises via its Genius Bars. Apple's online site provides customers with first-level chatting and problem solving that they can easily escalate to making an appointment with the Genius Bar in an Apple store, while having the online interactions available to the Genius Bar technician when they arrive. Outdoors gear retailer REI erected rock-climbing walls in its stores, and Barnes & Noble holds live readings and concerts, in addition to providing access to Starbucks shops in its bookstores, creating an intimate, high-touch, wraparound CX.

The CX they offer must be one that can't be done as well (or at all) online, and it must provide compelling value to customers

4. Customers expect the CX to improve continuously.



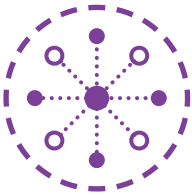
Today, after customers do business with a company, they expect that it will a) recognize them and know their history of transactions, and b) provide value-added insights, support, new offerings based on this recognition, and a timeline of interactions.

Again, Amazon provides a benchmark. “Amazon owns the richest data set on how consumers consume, how sellers sell, and (among the richest) how (software developers) develop,” explains market research firm CB Insights. “This, in turn, allows Amazon to optimize its online shopping experience, its logistics network, and development environment (and even its voice AI), which all, in turn, make Amazon’s offerings even richer.”¹⁰

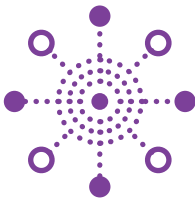
¹⁰ CBInsights.com, Amazon Strategy Teardown: Building New Business Pillars In AI, Next-Gen Logistics, And Enterprise Cloud Apps, April 17, 2017, accessed on May 16, 2017, <https://www.cbinsights.com/blog/amazon-strategy-teardown/>

First Steps in CX Enhancement

Once you understand these fundamental CX truths, and the outcomes your customers are seeking when they do business with your company, we advise taking these steps:

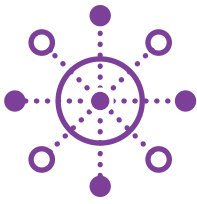


Recognize where CX fits within the overall company offering and basis of competition within your specific industry, and ensure your management is aligned. If CX is not a competitive differentiator for your company, following the best practices within your industry may suffice. But if CX is critical to your company' success, you must ensure that your whole management team is united in the quest to deliver it. If the CEO says CX is a strategic priority, but the head of customer service only cares about maximizing the number of calls the contact center's reps can handle per day, your company will not be able to deliver on its CX promises. One of the biggest CX obstacles we see in established companies is a lack of alignment among management layers. Digital firms like Amazon and upstarts like Uber often have an advantage here: Their management has always focused on CX and understands that their unique CX model is how they differentiate.

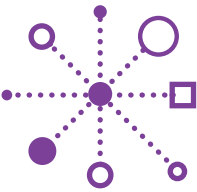


Focus not just on the experience you want customers to have with your offerings, but also the feeling you wish to create about those offerings.

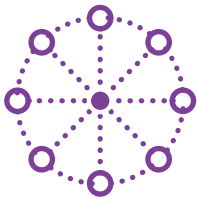
Retailers like Starbucks are masters in branding such images. Financial services firms are just beginning to experiment with it.



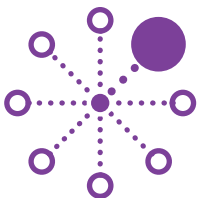
Look outside your sector for companies that provide great customer experiences. Carnival Cruise Lines looked to a theme park, Walt Disney World, to revamp its CX, and hired a Disney World executive who had led a \$1 billion theme park experience initiative. Now, reach out further: if your company is B2B, look at B2C companies, and vice versa.



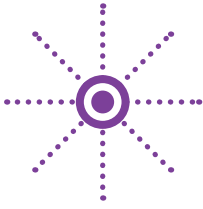
Determine how CX affects key business metrics. You won't know if your CX efforts are successful unless you know how they affect revenue, customer retention, cost-to-serve, reputation, and other key performance metrics. Only then can you establish a baseline for CX measurement and improvement—for instance, how faster time-to-resolution in customer service impacts cost-to-serve and repeat purchases.



Manage CX holistically. The best CX providers understand that their entire portfolio of activities—including products, pricing, and promotion—affects the customer experience. Moreover, CX is not only determined by your customer-facing operations (stores, websites, and call centers), but also by everything that goes on behind them. That's why the performance objectives in functions throughout the organization must include, and be aligned with, CX excellence.



Monitor CX hot spots. Monitor the areas of your business that offer the most positive and negative CX, and whenever they flash red, identify and resolve problems quickly. In stores, for example, checkout lines are a CX hot spot; in theme parks or sports stadiums, the waiting lines for restrooms are a common hot spot.



Maintain a laser-like focus on influencers and other high-profile customers. These days, customer feedback can burnish or tarnish a brand at digital speed. It is critical to track social media and understand its impact on existing and potential customers. Identify and cultivate influential customers who promote your company. And when your company receives a nasty-gram or email, know who sent it, the size of the sender's audience, and the sender's propensity to share negative experiences before responding.

Look Out for CX Excellence

The race to deliver more compelling and innovative customer experiences is on in both 'bricks' and 'clicks' companies, and the firms that offer both. By looking beyond their competitors and their own industries for breakthrough ideas, leaders can help their companies become frontrunners in the CX race.

These winners will move quickly, iterating the CX rapidly, seeking continuous innovation and improvement to navigate markets, testing technologies, and exceeding customer expectations that are changing so quickly that there is no finish line.

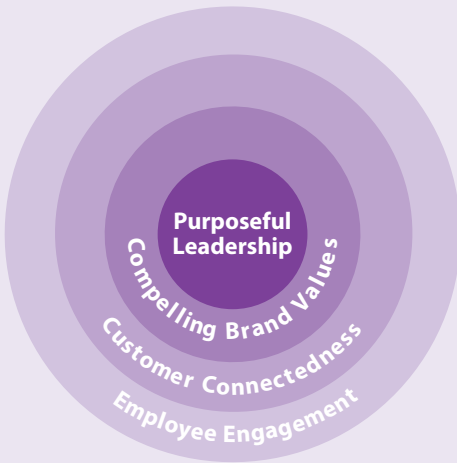
The bottom line: Leave behind what traditionally has been thought in providing a good customer experience and figure out the differentiating business outcomes and corresponding time value you want to provide your customers. Move as fast as possible to address and iterate these because speed is of the essence in the CX race, and your customers are staying ahead of you.



The Four Core Competencies of CX:

Interview with Bruce Temkin

Bruce Temkin is managing partner of the Temkin Group, a Newton, Massachusetts-based research, consulting, and training firm that helps companies become more customer-centric. Prior to launching Temkin Group, he was a vice president at Forrester Research for nearly 12 years, where in his last years there, he focused on customer experience, creating the firm's Customer Experience Index rankings and earning the most-read analyst title for 13 consecutive quarters.



TCS: *You've spoken about four core competencies for a superior customer experience: **purposeful leadership, compelling brand values, customer connectedness, and employee engagement.** Why do you believe they are instrumental?*

Bruce Temkin: There is a compelling reason for each one. Look at purposeful leadership. Our work is geared towards large organizations. If an organization has tens of thousands of people, it's really important that everyone is heading in the same direction.



Purposeful leadership is about having leaders who share a compelling view of the future and their values so everyone in the organization makes consistent decisions. It's an attitude to the effect of "I'll explain why we're heading somewhere and show you where we're aiming to go," and hopefully all the people in the organization follow.

With a clear purpose, you get alignment, and that makes for a powerful organization.

TCS: *What companies do you consider to be exemplary in purposeful leadership?*

Temkin: You see purposeful leadership in individual leaders, not just in organizations. But USAA is one company where the values are well understood across the organization. No one questions that the organization is committed to making decisions that are consistent with its mission of helping members of the U.S. military and their families attain financial security.

USAA's leaders make decisions that are consistent with those values all the time. That's another element of purposeful leadership: It's not just about saying, "We're heading here, our customers are important, and we operate this way." Purpose truly shines through when an organization makes decisions that are consistent with that mission—even when making them is difficult.

TCS: *What about compelling brand values?*

Temkin: A lot of people have misconceptions about what customer experience really is. You often hear that you must "**wow**" the customer with every interaction. While that sounds great, it's not possible given that no one has unlimited resources. So what's really important is that we create the experiences that live up to our brand. That means defining a set of promises to customers, and prioritizing efforts around keeping those promises.



TCS: *People are so quick to comment on social media about a negative customer experience. It seems easy for companies to say they have to wow customers at every touchpoint or the negative stuff will go viral. Is it difficult for companies to hold to even a minimal standard for the customer experience when a brand can be so easily tarnished?*

Temkin: The ability to share bad experiences across a wider audience through social media is something that you never would have had to deal with 10 years ago.

But the principles for dealing with those issues haven't changed. Every large organization is going to have some customers who have a bad experience. Customer-centric organizations recognize when something doesn't match their values or brand. Then they rapidly rectify those issues and work quickly to keep them from affecting other customers.

Understanding who we are as a company transcends any individual interaction, whether it is a great one or a bad one. I'll make a recently relevant example to make the point. Let's say that an airline has a belligerent

passenger who is disturbing everyone, and its employees are able to politely convince him to get off the plane. If that passenger complains, that is not a bad thing. The airline did something consistent with its brand values, which was to not allow one passenger to disrupt everyone else.

Even though you might get a bad tweet and bad press, that shouldn't move you away from your values. Knowing where to focus your energy doesn't mean that you serve people terribly outside of key moments. But you don't need to wow them in every single instance.

TCS: *So social media makes the brand values more important, right?*

Temkin: Yes. It also forces you to move quickly but keep from overreacting to situations. If someone has a bad experience with your company, you want employees and customers to think, "You know, that doesn't sound like the company I've dealt with."

If they think that way, then they'll discount what they hear on social media, since they don't believe it's indicative of who that company is.

Companies that are customer-centric also earn a lot more forgiveness. That helps them stay consistent with their brand values even when there are individual incidents.

There are two components. One is having a continual flow of information about what customers are seeing, thinking, and feeling—not just once from some survey you send out every year. The other is basing decisions on that information.

TCS: *What does 'customer connectedness' mean?*

Temkin: Customer connectedness is about making sure that insights about customers are driving decisions across the organization. There are two components: One is having a continual flow of information about what customers are seeing, thinking, and feeling—not just once from some survey you send out every year. The other is basing decisions on that information.

Lots of companies have elaborate 'voice of the customer' programs and dashboards full of data. But they don't act on the insights they have.



They behave as if the constraint is getting data about customers. The more difficult thing is having an organization that is prepared, ready, and able to change its way of doing things based on the insights it gets—that is, putting in place nimble operations so that when a company learns something about customers, it can quickly do something about that insight.

One technology company that we're working with has a lean development process, where it breaks product releases into shorter development cycles. The company applied that mentality across the organization. Every six weeks it kicks off a new customer experience improvement process based on the top three customer insights its managers have learned over the previous six weeks. This creates an organizational 'muscle' for change. It also forces the company to actively and continuously examine customer feedback.

TCS: *Let's move to your fourth competency: employee engagement. You're very careful to differentiate it from the employee experience. Tell us why.*

Temkin: Anything you're trying to do in a large organization is very difficult, but it will be impossible if employees aren't engaged. And by engaged, we mean that they are committed to the success of the organization.

When people use the term 'employee experience,' they're often focused on making the work environment positive. I'm not saying this is a bad thing, but it should not be an organization's ultimate goal with employees.

Companies must create an environment where their employees commit their energy and passion to the success of the organization. If you just focus on employee experience, you can end up with entitled employees, but they're not necessarily engaged. They come to work because they believe there is an implicit deal that their employer is going to give them all this fun stuff, and their part of the deal is merely showing up.



Employee engagement is about having a richer implicit agreement with your employees. The company will create an environment that allows you to be successful as an individual, and satisfy your intrinsic needs for a sense of meaningfulness, choice, competence, and progress. In return, the company expects employees to help the organization be successful overall. This is a journey for most companies.

TCS: *Which technologies should companies stay on top of in the years ahead because they are going to have a big impact on customer experience?*

Temkin: I'd start with something relatively simple: text analytics and natural language processing (NLP). There is only so much you can learn from customers through their answers to multiple choice survey questions. Text analytics, in combination with speech analytics, provides the ability to gather insights about customers that come in unstructured ways, such as from the call center and comments on surveys.

Companies must create an environment where their employees commit their energy and passion to the success of the organization.

Meanwhile, voice as an interaction channel is growing. Whether it's the Xfinity remote, or the Amazon Echo or Google Home, people want to interact with the world in



a way that they are most comfortable. And we are all trained on how to use a voice interface from an early age; it's called 'talking.' Companies need to use NLP to create interfaces that leverage voice, but also figure out how to act based on what people say.

That gives rise to predictive analytics. As companies gain more meaningful data from newly mined unstructured sources like voice and text, and as they combine it with the growing amount of structured data, their ability to understand and predict what customers need—and to act on that—is going to grow.

Not only are the analytics technologies getting better, companies are also getting better behavioral data, whether it's from the digital footprints people leave, or the customer data they collect. Predictive analytics models operate much more effectively when they can provide rich near-term data, rather than relying on a thin layer of historical data.

Lastly, the Internet of Things will give people more control and information to manage their lives. This technology is going to advance much more quickly than it will be adopted by individuals. Consumers will adopt devices like the Echo more quickly than other devices, because coming home and asking for the weather is something people already ask of other people. People tend to more quickly engage in behaviors that they're familiar with.



When CX Should Begin with Tweaks, Not Disruption

Author

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Today's most over-used corporate cliché is 'disruption.' See if the following sounds familiar to you from any number of business and technology publications you've likely read recently: "The world is changing, and we need to change with it—as a key part of our strategy, we are going to disrupt the [enter your favorite industry name here] market ..."

But when it comes to customer experience (CX), the most effective path to major improvements is not necessarily accomplished through seismic shifts or dramatic innovations—the next Alexa or Uber. Instead, companies can often make major gains by creating a culture of continual improvement—a constant tweaking of systems and processes. These tweaks happen when they continually identify, prioritize, and address distinct pain points along the customer journey and lifecycle.

This article will describe how to implement an incremental and iterative approach to CX design and execution. We will demonstrate how numerous small improvements can roll up to create significant value and yield impressive ROI.

Going for Broke

In recent years, many companies have invested enormous amounts of money in CX initiatives. For example, the CEO of cruise line operator Carnival Corp. said that his firm has spent hundreds of millions of dollars on technology that promises to transform the experience of its passengers.¹¹ Walt Disney World poured an estimated \$1 billion into a CX initiative in the hope that RFID-enabled wristbands would change the way visitors do everything, from entering their hotel rooms to riding the Space Mountain.¹² Discount retailer Target Corp. announced it would spend \$7 billion on a multiyear plan to revamp both the digital and in-store shopping experience to adapt to rapidly evolving guest preferences.¹³

These massive CX investments have prompted other companies to follow suit. Globally, CX spending is expected to reach \$6.6 billion in 2017—nearly three times the amount spent in 2012. In five years, CX spending could double again, to \$13.2 billion, as CX becomes the most important priority of many companies.¹⁴

Clearly, executives recognize the importance of CX to their businesses' present and future viability. Companies invest in CX (and prioritize CX improvements) because they've seen evidence that CX matters. Research firm Forrester has shown that CX leaders had six times greater revenue growth than CX laggards from 2010 to 2015.¹⁵ And between 2007 and 2014, companies that excelled at CX achieved nearly four times the total stock market returns of competitors with poor CX.¹⁶

¹¹ New York Times, Coming to Carnival Cruises: A Wearable Medallion That Records Your Every Whim, January 4, 2017, accessed April 3, 2017, https://www.nytimes.com/2017/01/04/business/media/coming-to-carnival-cruises-a-wearable-medallion-that-records-your-every-whim.html?_r=1

¹² New York Times, A Billion-Dollar Bracelet Is the Key to a Disney Park, April 1, 2014, accessed April 3, 2017, https://www.nytimes.com/2014/04/02/business/billion-dollar-bracelet-is-key-to-magical-kingdom.html?_r=0

¹³ Target Corp, Investing to Grow: Target Commits More Than \$7 Billion to Adapt to Rapidly Evolving Guest Preferences, February 28, 2017, accessed April 3, 2017, <https://corporate.target.com/article/2017/02/financial-community-meeting>

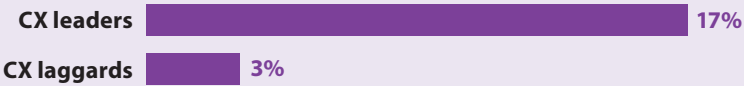
¹⁴ PR Newswire, MarketsandMarkets, Customer Experience Management Market Worth 13.18 Billion USD by 2021, November 23, 2016, accessed April 3, 2017, <http://www.prnewswire.com/news-releases/customer-experience-management-market-worth-1318-billion-usd-by-2021-602666195.html>

¹⁵ Forrester, Customer Experience Drives Revenue Growth, June 21, 2016, accessed April 3, 2017, http://blogs.forrester.com/harley_manning/16-06-21-customer_experience_drives_revenue_growth_2016

¹⁶ Watermark Consulting, The 2015 Customer Experience ROI Study, accessed May 17, 2017, <http://www.watermarkconsult.net/docs/Watermark-Customer-Experience-ROI-Study.pdf>

CX Leaders Grow Revenue Faster Than CX Laggards

Compound average revenue growth, 2010 to 2015



Source: June 21, 2016 “Customer Experience Drives Revenue Growth, 2016” Forrester report

Why Small Changes Can Go Far

There’s no doubt that large investments to improve the customer experience can yield positive ROI. But does one need to throw billions, or even hundreds of million, of dollars at CX to move the needle?

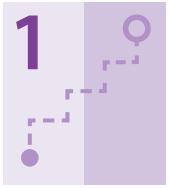
Not necessarily. We believe companies can achieve major improvements in CX from targeted investments in just a few customer touch points. For instance, by some estimates, Amazon has generated billions of dollars in revenue simply by taking the friction out of online shopping via its patented 1-click ordering process. Zappos, by putting a free return label on its deliveries and implementing a 365-day return policy, won the loyalty of high-end shoe shoppers looking for an easier and less risky way to splurge on fancy footwear. In fact, the company has said that customers who sent back half their purchases buy more of its products.¹⁷ Nordstrom has begun putting kiosks outside store entrances so that online shoppers can pick up items without having to find a parking spot in mall lots and garages—a low-tech facilitator for the high-tech, omni-channel CX. Nordstrom considers this critical as 22% of its total sales now come through the online channel.¹⁸

¹⁷ Fast Company, Zappos’ Best Customers are also the Ones who Return the Most Orders, April 13, 2010, accessed May 2, 2017, <https://www.fastcompany.com/1614648/zappos-best-customers-are-also-ones-who-return-most-orders>

¹⁸ Fortune, Nordstrom Is Pulling Back on Tech Spending and Its Stock Is Tanking, February 18, 2016, accessed May 2, 2017, <http://fortune.com/2016/02/18/nordstrom-tech/>

Finding Small CX Improvements with Big Returns

We use a two-step mapping process to help companies identify lower-cost CX opportunities with outsized ROI:



Map the customer's journey in detail— what it is today vs. what it needs to be tomorrow.

When customers contemplate a purchase, they embark on a journey: They evaluate their needs, explore which companies can solve those needs, make a purchase decision, take possession of the product, and begin using it.

Any customer journey can be segmented into dozens or even hundreds of micro-steps. The challenge is to step into the shoes of customers and walk the journey, mapping out the details across the customer lifecycle (awareness, research, selection, purchase, usage, and maintenance) that hopefully lead to repeat purchases.

Once you map out such a journey in as much detail as possible, the next step is to look for ways to improve

each step the customer takes. What improvements can make the journey easier, faster, or more pleasant, without causing major organizational disruption for the company? For example, minor improvements in the usability of a smartphone app could improve CX in ways that yield significant ROI. According to research from Forrester and the National Retail Federation (NRF), smartphones are driving retail sales more than ever.

“Retailers have found that even modest investments in mobile initiatives can result in huge returns,” says Artemis Barry, VP of digital retail at NRF.¹⁹

¹⁹ National Retail Federation, NRF/Forrester Study Finds Mobile Investments Pay Off In Evolving Retail Landscape, January 31, 2017, accessed May 2, 2017, <https://nrf.com/media/press-releases/nrfforrester-study-finds-mobile-investments-pay-evolving-retail-landscape>

	Customer	People and Organisation	Operational Excellence	Systems and Infrastructure
Engaging	Omni-channel Interaction	Openness and Sharing	Offering and Delivery	IT Architecture
Agile	Context and Responsiveness	Structure and Command	Process Management	Sourcing and Delivery
Insight Driven	Personalization	Measurement and Direction	Performance Management	Analytics and Insight
Sustainable	Loyalty and Value	Ethics, Safety and Well Being	Experience Driven	Resilience and Efficiency
Ecosystem Innovation				
Innovative	Customer Innovation	Employee Innovation	Value Chain Innovation	Ecosystem Integration
Collaborative	Empowerment	Employee Culture	Continuous Improvement	Secure Data and Systems

Figure 3: The TCS Customer Enterprise Framework



Map your own capabilities—what they are today vs. what they need to be tomorrow.

Having mapped your customer’s current journey and pinpointed changes that could yield significant improvements, your next step is to match those changes to your organization’s capabilities.

A customer enterprise framework, as shown in Figure 3, can be a valuable tool to determine which skills, business processes, systems, and technology infrastructure need improvements.

Consider, for example, the case of a large internet/cable/phone company that had to improve the customer experience provided by its contact centers. Its average care times were much longer than the industry average, leading to customer frustration and significantly increased operating costs. Further investigation identified the root of the problem: outdated technology coupled with inefficient processes. Customers were handed off from one representative to another, while the reps themselves struggled to cope with more than a dozen disparate IT systems. By adding a bit more automation to the front-end process, feeding web leads into a

CRM workflow, and improving the IT interface (allowing the call center reps to see information from multiple systems at once), the company decreased handling time. These relatively minor and focused improvements had a big impact on CX. And they were the tip of the iceberg in the company's CX initiative.

Only an Excellent CX Can Retain Fickle Customers

The CX stakes have never been higher than they are today. The ease of digital interactions and rising expectations for instant attention and service have made customers increasingly willing to shift their spending to a competitor even after just one negative experience.

Indeed, in 2016, Forrester found 40% of consumers have a high willingness and ability to shift their spending to another company, and another 25% of consumers building that mindset.²⁰

In this environment, companies must continuously look to improve the end-to-end customer experience—not tomorrow, with massive initiatives that may take years to implement, but right now. But companies trying to implement a culture of continuous CX improvement should also expect internal pushback. The biggest barriers to achieving better CX are often cultural rather than technological.

²⁰ Forrester, 2017 Predictions: Dynamics That Will Shape The Future In The Age Of The Customer, October 2016, accessed May 02, 2017, <https://go.forrester.com/wp-content/uploads/Forrester-2017-Predictions.pdf>

The cable operator's contact center had long been synonymous with personalized, high-touch service. Although research showed that customers now prefer faster, more efficient and automated interactions, the head of the customer care center worried that efficiency and automation would cost some of his employees their jobs. He did not recognize that in an era where cable companies must compete with a growing array of new competitors like Netflix and Hulu, the bigger risk was that dissatisfied customers would simply take their business elsewhere, potentially endangering the jobs of all the cable company's employees.

Cultural pushback can masquerade as financial prudence (i.e., "We'd love to improve CX, but we just don't have the money now"). Such objections do not hold water. There are ways to make CX better within any budget. If money is tight, the best thing is to start small, but make sure that those narrow changes will have the biggest possible impact.

In this way, you can demonstrate the value of CX improvements and secure funding for additional incremental improvements that will roll up into a big step forward.



The Seven Deadly Myths of Today's B2B Sell

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Companies around the world have spent a ton of money on customer relationship management (CRM) systems—more than \$26 billion annually.²¹ Yet many are still awaiting a financial return from their investments. This is especially true in B2B companies, many of which have told us that a sales force with more data is not necessarily a sales force that generates more revenue, closes more deals, and wins more repeat business. However, we also know of B2B firms that have generated robust returns from their CRM investments. In these companies, salespeople and sales managers can't ever imagine life without a CRM system.

So what are B2B companies that are struggling to get value from CRM doing wrong? From our experience, their sales functions continue to live by seven principles, each of which has become a myth. I'll go through each one and explain why they have become problematic. Then I'll discuss the new beliefs that should replace the myths.

²¹ Forbes.com, 2015 Gartner CRM Market Share Analysis Shows Salesforce In The Lead, Growing Faster Than Market, May 28, 2016, May 15, 2017, <https://www.forbes.com/sites/louiscolumnbus/2016/05/28/2015-gartner-crm-market-share-analysis-shows-salesforce-in-the-lead-growing-faster-than-market/#37baaf631051>

Myth No. 1: We Have a Long Time to Sell



This now-obsolete notion is that the B2B sales cycle is long, and thus a sales person has weeks or months to close a deal after an inquiry comes in. While research suggests the B2B purchasing process remains long, the sales process has shortened. The average B2B buyer is nearly 60% of the way through his buying process before he talks to a single vendor, according to CEB.²² You have less time to make a positive impression than you did before because by the time a buyer is ready to look at vendors, he has done most of his homework. It's a reason why 70% of B2B buyers rated timeliness of a vendor's response to their inquiries as a key reason for choosing the winning vendor.²³

This means your sales force must know precisely what matters to your customers' decision-makers and tailor the information to their needs. B2B buyers today say the most influential part of suppliers' websites is 'relevant content that speaks directly' to their company.²⁴ If you haven't created a wellspring of such educational content in advance, you're at a distinct disadvantage to the competitor that has it.

But it's not just about content. It's also about serving that content in the channels your customer uses to engage with your organization—website, secure portals, contact centers, even social media. Your sales and service representatives not only need this content, they need relevant data on the customer from which they can draw insights. And increasingly your people need artificial intelligence to recommend the next steps they should take with customers. Your website, too, should make those recommendations to customers based on how they interact with your site.

²² Cebglobal.com, Two Numbers You Should Care About, March 31, 2015, Accessed May 12, 2017, <https://www.cebglobal.com/blogs/b2b-sales-and-marketing-two-numbers-you-should-care-about/>

²³ Demand Gen Report, The 2016 B2B Buyer Survey Report, 2016, accessed May 14, 2017, <http://www.demandgenreport.com/resources/research/2016-b2b-buyer-s-survey-report>

²⁴ Ibid. Accessed May 14, 2017.

Myth No. 2: Most Times, Best Price Wins the Business

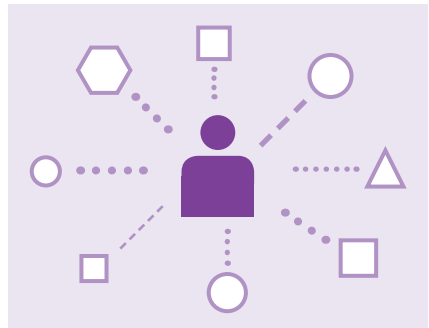


This myth is especially prevalent in commodity businesses. To be sure, in many B2B sectors being price competitive is still important. But other factors come into play, including tailoring commodity offerings to customers' unique needs and providing trustworthy advice on how to get more value from them.

The latest research by Salesforce.com found that nearly four out of five B2B buyers greatly value salespeople who can be trusted advisers.²⁵ It's because the stakes in many B2B purchases—a large investment, a career, and competitive advantage—are rising. Salespeople who help buyers think through their needs and reduce those risks stand out.

An average of 5.4 people are involved in B2B purchases, according to CEB. The biggest challenge for companies making a purchasing decision is getting their decision-makers to agree on the problem and the right way to solve it—both of which happen before they choose a supplier.²⁶ The most successful B2B suppliers help decision-makers reframe their problem and approach to solving it.

But becoming such a trusted adviser isn't easy. It requires a supplier to liberally share customer information and insights internally—what Division 1, Division 2, Division 3, and so on know about the same customer. In many companies, phenomenal amounts of information on any single customer exist in divisions, product units, geographies, and functions. But few can easily bring this information together because their systems don't share data and aren't connected.



²⁵ Salesforce.com, 3 Ways to Show B2B Customers Some Love, February 14, 2017, accessed May 12, 2017, <https://www.salesforce.com/blog/2017/02/show-b2b-customers-some-love.html>. Use information to build relationships during the marketing and sales cycle.

²⁶ CEB, The Challenger Customer web page, accessed May 11, 2017, <https://www.cebglobal.com/top-insights/challenger-customer/infographic.html>

Myth No. 3: A Strong Brand Overcomes Ineffective Sales Processes



Wrong again. I'm not saying that a strong B2B brand is of little value. It can get you in the door and on the shortlist. But if you don't react to new sales opportunities well enough and fast enough, your company's familiar logo won't help much.

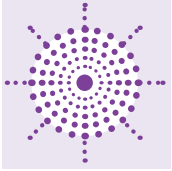
Companies like LinkedIn and Paychex prove that B2B companies can come out of nowhere and gain share with a superior offering and competent sales processes but little advertising. Highly competent sales forces are critical to success.

McKinsey has found that firms with strong capabilities in qualifying and pursuing leads—presales work—have win rates of 40% to 50% of new deals and 80% to 90% with repeat business.²⁷ Using modern sales practices and enabling technologies, sales forces can anticipate and eventually predict customer needs.

²⁷ Harvard Business Review, To Improve Sales, Pay More Attention to Presales, February 17 2015, accessed May 13, 2017, <https://hbr.org/2015/02/to-improve-sales-pay-more-attention-to-presales>

Myth No. 4:

B2B Customers Don't Buy on Emotion (Thus They Don't Need a Compelling Sales Experience)



This is no longer true, if it ever was. While B2B buyers expect vendors to provide good educational information online long before they sign a purchase order, it takes only one piece of bad information about a vendor to sour a relationship.

There's a lot riding today for B2B companies on multimillion-dollar purchases. Emotion plays a bigger role in the decision. A survey by Google and CEB of 3,000 buyers of products and services from 36 B2B brands found B2B customers were "significantly more emotionally connected to their vendors" than consumers were to the brands they purchased.

It's up to sales people to deal with the emotional component of the customer's purchase decision. Giving sales and service representatives insights into customer motivations allows them to tailor their interactions to those motivations.

It is also important to not forget the basics of great sales training and management. In the end, selling remains a people business. Sales representatives who can tailor your message and help buyers understand how your solution solves their problem are fundamentals that must not be lost in this age of technology.

Myth No. 5: Current Customers Will Give You More Slack in How Fast You Respond



Many loyal customers aren't as patient as they used to be, and for good reasons: regulatory, political, and competitive. Customers are often working against fixed time frames, targets, or business objectives against which they will be measured. We know of telecommunications equipment manufacturers that must respond to leads from telcos much faster than in the past. The reason is telco purchasing cycles have accelerated due to exploding demands for digital data that courses through their networks.

Taking six months to configure the equipment increasingly won't satisfy such customers. Streamlining the quote-to-cash process in your organization and giving sales and service representatives the right tools allows them to respond faster. Applied across channels, those same tools can even allow customers to serve themselves to your offerings, reducing time and resource constraints.

One telecommunications equipment manufacturer now lets customers configure and submit orders through a web portal or by talking to a contact center representative. That's shaved weeks off the old sales process. The results (in increased sales) have been phenomenal.

Myth No. 6: B2B Sales are Sequential and Should Focus on Providing Customers with Information



Lots of companies are spending heavily on educational material that explains their products and services, and how customers should use them. But many B2B buyers still have much to sort out after they've read such vendor content. It is up to sales people to further educate customers.

Sales people with exceptional educational skills remain highly valued. Forrester predicts 1 million of the world's 4.5 million B2B sales jobs will disappear by 2020, supplanted by technology. Out of the four seller archetypes, 'order takers' (sales people who sell non-complex offerings in non-complex buying situations) would be eliminated by self-service online portals. However, 'consultants' (sales people selling complex offerings in complex buying situations) would thrive because they can make comprehensible abstract concepts and build relationships.²⁸

Technology can help a sales force make a consultative sell. A global information services company created an online community for entrepreneurs and business owners to make connections with others like them at similar stages of development. It also helped them procure the services they needed, and used gamification to measure participation and contributions to the communities. The net result was that the vendor's brand shifted from merely being an information provider to one that assembled a community of experts.

²⁸ Hubspot, 1 Million B2B Sales Jobs Will Vanish by 2020 [New Research], March 1, 2015, accessed May 12, 2017, <https://blog.hubspot.com/marketing/sales-jobs-vanishing#sm.0000qlyk851abcdbvo5ldtyig46z>

Myth No. 7: B2B Customers Don't Want a Multichannel Selling Experience



Not true anymore. They not only need extremely knowledgeable sales people, they need highly informative websites, webinars, seminars, mobile apps, and other channels that help them make better decisions.

With so many channels for a B2B sales force to use now, how can it create a sales experience in which the whole is greater than the sum of the parts? A good way to start is through a high-level customer segmentation via 'personas'. Lay out the customer journeys for a maximum of five personas (e.g., repeat vs. new customers; infrequent vs. frequent purchasers, etc.). Then identify what information your firm possesses that would improve how sales people interact with each persona in each step of their buying journey and in each sales channel.

But don't fall into the trap of only focusing on the customer journey and not on the supporting processes. If a customer places an order, you still need to fill it. You must link your customer-facing efforts to your back-end processes and systems. If you don't, you'll create an initial positive sentiment on the front end, but obliterate it when your firm doesn't fill orders correctly or on-time on the back end, or if you provide poor service.

Many B2B sales forces continue to live by one or more of these seven myths. Those that have replaced them with truly customer-centric sales and marketing strategies have been gaining share. They are far better clued in to what their customers need, can respond much faster, and are superior at predicting what customers will need next.



Personalization Boundaries: Tuning In to Customers Without Turning Them Off

Authors

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Digital technology lets companies tailor their interactions to customers' specific needs and wants. Companies with such personalization capabilities can create a formidable competitive advantage. Consequently, personalizing the customer experience has become a new battlefield for companies.

Forrester called it one of the "critical success factors for winning in the age of the customer," noting that customers will reward companies that anticipate their individual need, and punish those that do not.²⁹ Accordingly, leading companies are adopting new technological capabilities and processes to customize the customer experience across various channels, throughout the customer lifecycle.

²⁹ Forrester Research, 2016: CIOs And CMOs Must Rally to Lead Customer-Obsessed Change Now, October 21, 2015, accessed May 2, 2017, http://blogs.forrester.com/cliff_condon/15-10-21-2016_cios_and_cmos_must_rally_to_lead_customer_obsessed_change_now

Digital leaders like Amazon have effective recommendation engines that not only increase their share of the customer's customers, but also make their lives easier. Netflix sends its Internet television subscribers personalized suggestions based on their viewing habits and has decreased customer churn by several percentage points. The Netflix personalization strategy has increased the lifetime value of an existing Netflix subscriber while reducing the number of new customers the company must acquire to achieve its revenue targets. Personalization is worth more than \$1 billion a year for Netflix.³⁰

The question of personalization as a competitive imperative is no longer in question. The new question is how to meet the customer's expectations for intimacy while still respecting privacy norms and boundaries. In other words, companies must figure out how to tune into customers without turning them off.

Customers will reward companies that anticipate their individual need and punish those that do not.

³⁰ The Netflix Recommender System: Algorithms, Business Value, and Innovation, December, 2015, accessed May 2, 2017, http://delivery.acm.org/10.1145/2850000/2843948/a13-gomez-uribepdf?ip=96.233.75.120&id=2843948&acc=OA&key=4D4702B0C3E38B35%2E4D4702B0C3E38B35%2E4D4702B0C3E38B35%2EE5B8A747884E71D5&CFID=764631445&CFTOKEN=21030220&__acm__=1495201522_dac1bbb7ab0c6673ab4161fbc1dd3338

According to a survey of 3,000 adults around the world, more than half of consumers (57%) expect the brands they do business with to understand their needs and preferences.³¹ However, there are boundaries that firms need to monitor and understand:

- Roughly three-quarters of consumers said companies that used their personal data without their permission were violating their privacy.
- Nearly three-quarters of consumers say online ads that use information gleaned from their online behaviors and activities make them uneasy, with half of them saying such experiences make them feel “creeped out,” according to a 2016 CEB/Gartner survey.³²
- Yet only 2% of corporate marketing professionals that CEB/Gartner surveyed felt their personalized marketing communications offended customers. That is a significant disconnect that all companies should address.

Generally, customers are more willing to share personal data that enables personalization if they trust the company requesting it to keep their information secure, and if they feel that the company is giving them something they value in return for their information. But why does one company’s attempt to provide that value keep customers coming back for more while another’s attempt winds up creeping customers out and driving them away? Many companies struggle to answer that question.

³¹ SAS Institute, Finding the Right Balance Between Personalization and Privacy, 2015, accessed May 2, 2017, https://www.sas.com/content/dam/SAS/en_us/doc/research1/balance-between-personalization-privacy-107399.pdf

³² Cebglobal, Most Consumers Find Marketing Personalization ‘Creepy’, June 17, 2016, accessed May 2, 2017, <https://www.cebglobal.com/blogs/b2c-marketing-most-consumers-find-marketing-personalization-creepy/>

The Seven Deadly Sins of Personalization

Based on our experience across numerous industries and clients, TCS has identified seven common personalization mistakes that companies make while interacting with their customers in one-on-one situations. Figure 4 below showcases the Seven Deadly Personalization Sins.

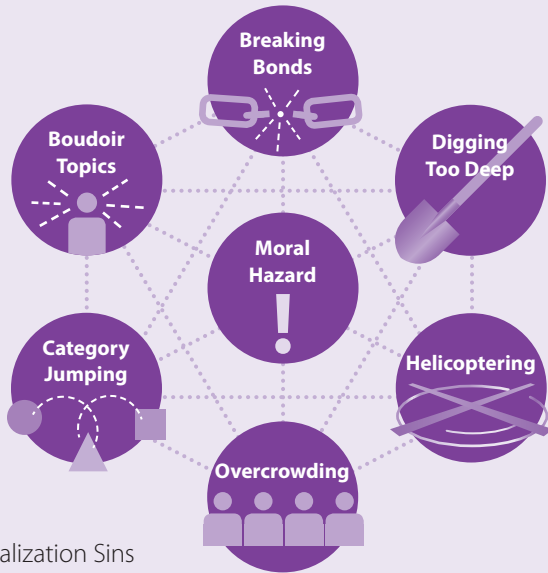


Figure 4:
Seven Deadly Personalization Sins



1. Breaking Bonds. Sharing or selling personal information without the customer's clear understanding (for example, by requiring customers to opt-in to have their data collected or shared). Just a handful of industries in the U.S. (such as healthcare) have regulations regarding how customer information must be handled. Most companies are not required to notify customers about the ways in which they may use their personal data. In fact, the U.S. Congress recently repealed online privacy protections that would have prevented internet providers from selling customer data, including their Web browsing histories, without permission.³³ But just because companies can dig into and distribute their customers' personal data without their knowledge does not mean they should.

³³ Time.com, President Trump Signs Bill Overturning Internet Privacy Protections, April 3, 2017, accessed May 2, 2017, <http://time.com/4724128/donald-trump-internet-history-isp-privacy-browser-history/>



2. Digging Too Deep. Correlating personal or behavioral data (for example, email or cross-website browsing data) outside of the direct interactions between the company and its customers for personalized purposes can make customers feel spied upon.

This often happens when someone searches for information on a website (say, looking for a car) and is then served car ads when visiting a clothing site.



3. Helicoptering. Companies increasingly offer real-time personalization based on the customer's location and prior purchases. But this can come back to haunt that company. Imagine the luxury store dressing room attendant who knows your name as you approach her. Would you feel comfortable about trying on

clothes in the back room and leaving them all behind if they were too tight this time? We doubt it.



4. Overcrowding. High volumes of personalized marketing from multiple groups within a company can make customers feel bombarded and even harassed. For example, a customer buys a toaster, and suddenly his inbox is full of kitchen appliance and kitchen renovation pitches.



5. Category Jumping. Conjoining multiple topics with minimal linkages annoys customers. A car dealer's following up on a customer's purchase of car mats with an offer for a bike rack (because of the customer's recent purchase of a bicycle) is creepy for the customer. He wonders how the car dealer made that logical leap. Another example of category jumping is the customer who purchases diet soda and then begins receiving advertisements for weight-loss products.



6. Boudoir Topics. Exploiting potentially sensitive situations (e.g., purchase of pregnancy tests) to deliver personalized discounts (e.g., baby products) may alienate customers. Some offers are best left to multi-product efforts that target personal needs with a broader basket of goods. The customer is influenced by such marketing while not feeling specifically targeted.



7. Moral Hazards. These are the practices that cover a range of tactics that are technically legal but would reflect poorly on the company if exposed. "What would your mother think?" is a question marketers should ask themselves. If you think mom would disapprove, eschew these practices.

Handling Customization with Care

Understanding and respecting the boundaries of acceptable customer experience personalization is a critical first step. Each company must create its own approach, one that lays out the values, strategy, execution methods, and governance it needs to be effective without being creepy. Figure 5 below captures the factors governing personalization.

Values

Before making any technology investment or strategy decision, an organization must decide where it sits on the customer personalization spectrum. An organization's culture and the nature of its customer relationships should guide its personalization values. More conservative firms, or those that depend upon high levels of customer trust (such as financial services and healthcare), may take a more restrained approach to mining customer data for personalization. Retailers or social media companies, on the other hand, may better be able to push the envelope without encountering customer resistance.

This is the stage where an enterprise should decide what might be a boudoir topic for its customers, or what those customers might consider a betrayal of trust. Companies seeking to capitalize on personalization must clearly define the limits of their marketing practices, and communicate them broadly throughout the organization.

Digital Operating Model Tiers (Responsibilities and Tools)	
Values	<ul style="list-style-type: none">• Define the relationship (e.g. trusted service)• Set the direction (e.g. make it easy for the customer, exceed expectations)• Establish risk tolerance (e.g. ask, don't just take data)
Strategy	<ul style="list-style-type: none">• Personalization goals and objectives• Channel selection/prioritization• Market and consumer targeting• Customer experience and journey
Execution	<ul style="list-style-type: none">• Customer insights development• Marketing content creation• Media purchasing• Process and tool automation (e.g. decision engine)
Infrastructure	<ul style="list-style-type: none">• Customer (CRM) and 3rd party data• Content management system/platform• Attribute modeling software• Marketing automation/campaign management software

Figure 5: Governing Personalization

Strategy

The next step in outlining the desired business outcomes of personalization is defining the strategies. Is the purpose of its customer interactions to provide better post-sale customer service, increase conversion rates, or reduce marketing costs through effective targeting?

Companies must also decide which channels will benefit from personalization efforts, and which channels will not. Companies that benefit from personalization based on potentially sensitive customer data may limit that personalization to more private channels like email vs. SMS messages in a retail environment.

Companies must base their personalization strategies on their values. They must broadly share their values and enforce them in all business units and customer-facing functions. The largest hurdle is translating those values into tactical directions so that marketing, sales, and customer service groups avoid issues such as 'helicoptering' or 'overcrowding'. To ensure that everyone plays by the rules, the strategy must coordinate actions across functions and business units.

Execution

In executing their personalization strategies, companies must make oversight and govern top priorities. A big challenge for them is balancing the need to remain true to their customer values while letting marketing experiment with the latest

Personalization Consideration

Moral Hazard



Breaking Bonds



Boudoir Topics



Moral Hazard



Breaking Bonds



Helicoptering



Overcrowding



Boudoir Topics



Breaking Bonds



Digging Too Deep



Helicoptering



Overcrowding



Category Jumping



Digging Too Deep



Category Jumping



digital marketing technologies and personalization approaches. This requires experimentation guidelines that balance the need to improve marketing efficiency and effectiveness with the need to respect customer privacy.

Infrastructure

An organization’s data infrastructure—the customer data it collects and the ways in which it analyzes and uses that data—is a key source of competitive advantage. But data usage techniques can also create customer dissatisfaction and defection if not properly governed. Controlling access to personalization data is the best way to avoid such risks. Organizations that appoint owners of customer data and put in place robust data oversight and governance are less likely to cross their own boundaries and avoid ‘overcrowding’.

The Personalization Journey

To become highly effective at personalizing their customer experiences, companies must learn to walk before they can run. Amazon’s recommendation engine, for example, was years in the making. An advanced personalization approach that is accurate and appreciated by customers takes time to develop.

TCS Personalized Data Maturity Models (For Sales and Service Operations)

Maturity	Contact Frequency	Personal Data Usage
Emerging	<ul style="list-style-type: none"> Volume of marketing occurring to the customer is based on individual department goals Varying messages used across multiple channels Limited ability to track contact effectiveness against marketing goals 	<ul style="list-style-type: none"> Basic policies on personal data usage driven by regulatory and legal concerns Personalization efforts based on fundamental customer data (e.g. applications, customer contacts) Little to no use of derived or behavioral data used for personalization efforts
Practicing	<ul style="list-style-type: none"> Marketing activity is coordinated between some business units with connected business goals Messaging is defined and utilized across business units Effectiveness of marketing efforts is measured in limited channels 	<ul style="list-style-type: none"> Personalization efforts are used to drive customer experience at the personal level Customer data and market data is used to drive semi-personal experience based on segmentation Behavioral analytics is used to drive suggestions and offers
Leading	<ul style="list-style-type: none"> Coordinated enterprise marketing efforts leverage the life-time value of the customer Targeted messaging based on the customer profile and channel Full visibility into customer contacts and marketing effectiveness 	<ul style="list-style-type: none"> Personal data policies based on customer desires and targeted marketing outcomes Correct mix of 3rd party and internal customer data leveraged for personalization efforts Derived and behavioral data used to drive desired marketing and sales outcomes

Figure 6: How Mature is Your Personalization Model?

In terms of the maturity of their personalization models, we categorize a company's personalization maturity with Emerging, Practicing, and Leading rankings based on customer contact frequency, use of customer data, target offers, and personalized messaging, as shown in Figure 6.

Emerging companies have a basic customer data usage strategy and base their personalization efforts on fundamental customer data. However, they have limited values to guide execution, which therefore delivers varying results. At the other end of the spectrum, leading companies have clearly defined data use policies, coordinated enterprise personalization efforts, and explicit guidance on how to interact with customers based on data.

Companies at all three stages—Emerging, Practicing, and Leading—must balance the opportunities and risks of their personalization efforts. With the power to personalize comes responsibility. In fact, the more advanced the personalization approach, the more important it is for an organization to stay within the seven boundaries. As Voltaire said, “With great power comes great responsibility.”

Offer Positioning	Offer Messaging
<p>Offers based on generic customer models</p> <p>Wide variations in offers may or may not relate to the customer needs</p> <p>Little or no coordination between departments deliver competing messages to customers</p>	<p>Ambiguous guidance from leadership regarding the values to use during customer marketing</p> <p>Little to no guidance on the assumed familiarity to be used in customer messaging</p> <p>Limited view of how the customer would like to receive messaging on sensitive topics</p>
<p>Personas and customer segments are used to drive marketing efforts</p> <p>Predefined offers used for large segmented customer groups</p> <p>Offer messaging is effectively targeted at the correct groups of customers</p>	<p>Defined messaging standards with high-level boundaries</p> <p>Familiarity approached based on group approach rather than individual modeling</p> <p>Messaging options provided to customers based on common criteria provided across customer segments</p>
<p>Offers based on high-relevance to the customer's situation (e.g. real / near-time decision)</p> <p>Multi-channel approach used to provide the correct offer at the correct moment</p> <p>One-to-one offer messaging at the enterprise level defined by customer interests, interactions and marketing objectives</p>	<p>Clearly defined boundaries / guidance on how to interact with customers from executive management</p> <p>Familiarity guidelines based on individual customer feedback (e.g. minimum exposure mindset)</p> <p>Customers define their preferred relationship and messaging with the enterprise</p>



Designing for the Small Silver Screen

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The relentless spread of mobile apps now offers companies an unimagined degree of access and connection to their customers. But the flood of companies looking to seize this opportunity has given rise to a new challenge: In this intensely competitive space, how can you ensure that potential and existing customers will download and use your company's apps?

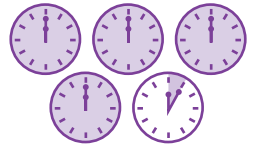
This is (among other things) a design challenge, with serious business consequences. As the power of mobile apps to create competitive differentiation and advantage grows across industries and geographies, fielding compelling apps is becoming ever more important. To win market share in the mobile world, companies must develop and deliver apps whose quality, usability, and functionality make them irresistible to demanding customers.

More is Riding on Useful Apps

“Mobile is the future,” predicted Google’s then-CEO Eric Schmidt in 2010. Schmidt’s prediction came true fast. In 2016, 77% of Americans owned a smartphone, more than double the percentage in 2011.³⁴

The use of mobile apps followed in lockstep with the explosion in mobile device ownership. An estimated 150 billion mobile apps were downloaded in 2016.³⁵ That same year, the average American spent nearly 49 hours a month using mobile apps, and one in seven of their app sessions lasted longer than 10 minutes.³⁶

The rising use of apps means they increasingly define how consumers and businesses buy products and services, access information, troubleshoot their purchases, play games and consume entertainment, and interact with others. This has resulted in a windfall for companies that excel at app development.



The average American spent nearly 49 hours a month using mobile apps,



and one in seven of their app sessions lasted longer than 10 minutes.

“Mobile is the future.”

³⁴ Pew Research Center, Record Shares of Americans Now Own Smartphones, January 12, 2017, accessed May 2, 2017, <http://www.pewresearch.org/fact-tank/2017/01/12/evolution-of-technology/>

³⁵ Statista, Number of mobile app downloads worldwide in 2016, 2017 and 2021 (in billions), accessed May 2, 2017, <https://www.statista.com/statistics/271644/worldwide-free-and-paid-mobile-app-store-downloads/>

³⁶ Forrester, Mobile Moments Transform Commerce and Service Experience, March 29, 2016, accessed May 2, 2017, <https://www.forrester.com/wp-content/uploads/2016/04/Mobile-Moments-Transform-Commerce-And-Service-Experiences.pdf>

Witness Starbucks. As of Q1 2016, customers had downloaded Starbucks' mobile order-and-pay app 11 million times. In that quarter alone, orders placed through the app generated an estimated 21% of the coffee house chain's U.S. store transactions.³⁷ No wonder then-CEO (now executive chairman) Howard Schultz proclaimed, "Technology innovation is further strengthening our brand, improving our efficiency and in-store execution, increasing our profitability, and most importantly, enabling us to deliver an elevated Starbucks experience to our customers."

Unfortunately, when it comes to mobile apps, companies like Starbucks are an exception. Many companies are *not* getting full value from their apps. A recent study revealed that 75% of users fail to return to newly downloaded apps the next day, while average app retention rates fall to just 4% after 90 days.³⁸

Howard Schultz proclaimed, "Technology innovation is further strengthening our brand, improving our efficiency and in-store execution, increasing our profitability, and most importantly, enabling us to deliver an elevated Starbucks experience to our customers."

The deficiencies of many apps are also evident in sales conversion rates on e-commerce sites. In 2016, Adobe reported that only 16% of shopping carts on smartphone apps converted to orders compared with 26% for shopping carts on desktop computers. "Simply having an app doesn't cut it," concluded the report's authors. "The app graveyard is getting larger due to abandonment and lack of mobile optimization."³⁹

³⁷ The Motley Fool, Just How Big Is Starbucks Mobile Order & Pay, January 26, 2016, accessed May 2, 2017, <https://www.fool.com/investing/general/2016/01/26/just-how-big-is-starbucks-mobile-order-pay-and-wha.aspx>

³⁸ Fierce Wireless, More than 75 percent of new app users fail to return the day after first use, study shows, May 2, 2016, accessed May 2, 2017, <http://www.fiercewireless.com/developer/more-than-75-percent-new-app-users-fail-to-return-day-after-first-use-study-shows>

³⁹ Adobe, Adobe 2016 Mobile Retail Report, October 25, 2016, accessed May 2, 2017, <https://www.slideshare.net/adobe/adobe-2016-mobile-retail-report>

There are three primary reasons why apps end up in the graveyard:

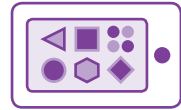
1. A disappointing experience: Many apps simply do not provide a great (or even a good) customer experience. A 2015 ARC research study of U.S. travel apps found that four of the largest airlines were rated among the bottom eight apps in the industry because of quality shortcomings.⁴⁰



2. A flawed business case: Other apps are launched in the wrong place at the wrong time. London-based Hailo launched its yellow-cab ride hailing app in New York City just as Uber was achieving scale in that market. The Uber juggernaut sank the new service.⁴¹



3. An overly complex design: Still other apps are too ambitious, coming to market hobbled by a crippling load of complexity.



The mobile app challenge is further exacerbated because customer expectations are continually raising the design bar, particularly relating to the user experience. “These mobile moments are the next battleground where companies will win, serve, and retain their customers,” explains Forrester Research Vice President Judy Ask. “Tragically, few companies will make the leap. Those that do will reap the rewards.”⁴²

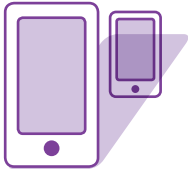
⁴⁰ ARC Research, The Best and Worst Rated Travel Apps, July 22, 2015, accessed May 2, 2017, <https://arc.applause.com/2015/07/22/state-of-u-s-travel-apps/>

⁴¹ Placeit, 3 Apps That Failed (And What They Teach Us About App Marketing), January 26, 2015, accessed May 2, 2017, <https://blog.placeit.net/apps-fail-teach-us-app-marketing/>

⁴² Forrester Research, 2016 Predictions: Key Trends Will Transform Mobile Engagement, November 10, 2015, accessed May 2, 2017, http://blogs.forrester.com/julie_ask/15-11-10-2016_predictions_key_trends_will_transform_mobile_engagement

Three Design Precepts for Upping Your App Game

Your company can reap the rewards of mobile apps if you keep three design precepts in mind:



1. Understand that companies like Starbucks, Uber, and Facebook are determining your customers' expectations for the mobile app experience, even if you're selling process control equipment to oil refineries.



2. While the technological capabilities that power your apps should become even more sophisticated, they must always deliver an even simpler, more seamless user experience.



3. Your apps must be able to learn your customers' preferences and behaviors, and use that knowledge to personalize their experience via a continuous and virtuous feedback loop.

1. Customer expectations start with the best B2C apps

Users expect all apps to perform as well as those created by the leading consumer app developers. That means your app will not be measured against

your direct competitors' apps, but against the experience provided by companies like Snapchat, Instagram, and YouTube.

2. Use emerging technologies to simplify the customer experience, while increasing functionality

Companies can use a variety of new, emerging technologies to create apps that learn from their users and automatically adjust to their needs. For instance, when a customer only uses a banking app for transferring money between accounts, an app can streamline and simplify the user experience by taking the customer directly to that function while hiding or minimizing others.

Voice technology is rapidly rising on the list of customer app expectations because of offerings like Apple's Siri, Amazon's Echo, and Google Voice. Voice integration and recognition is beginning to simplify the ordering process, thereby removing the friction that causes consumers to abandon shopping carts at checkout.

Bots driven by AI promise to become central to app-mediated customer engagements. As bots become more sophisticated, they will be able to answer customer questions, resolve their problems, and complete their orders more efficiently and cost-effectively than many customer service employees.

Computer vision—which can process, analyze, and understand digital images, producing algorithms to drive decision-making—is also adding new dimensions to the app experience in a wide variety of applications. For example, Microsoft is collaborating with appliance company Liebherr to develop a refrigerator that recognizes the food on its shelves, communicates with the owner's smartphone, and creates a shopping list in the app based on what the refrigerator sees.⁴³

Predictive analytics enables apps to anticipate user behaviors and act accordingly, in many cases, utilizing wireless sensors, big data, and analytics technologies. Nest thermostat apps, for example, sense when you arrive home and change the temperature based on your preferences, and then change it again after you leave.

All these technologies will further elevate the role of smartphones in your customers' lives. And as your customers do more and more business within the mobile universe, your company's apps will need to be as smart as their phones, which leads to our final design precept.

⁴³ Windows Central, Microsoft's computer vision technology may be in your next 'smart' refrigerator, September 4, 2016, accessed May 15, 2017, <http://www.windowscentral.com/microsofts-computer-vision-technology-may-be-your-next-smart-refrigerator>

3. Design apps that learn users' preferences and behaviors, and continually personalize the experience.

In 2007, Apple rejected a Blackberry-like keyboard with physical buttons in favor of a software-based keyboard. As a result, Apple has been able to improve its keyboard's functionality iteratively, continually delivering new functionalities remotely to its customers. The lesson for app designers: Don't hard-code the user experience into your app.

Companies encounter this lesson in one of the first decisions they face when designing an app: Should it be native to a single operating system (OS) or a hybrid that works across systems and devices?

App designers quickly learned that each mobile operating system comes with its own capabilities and limitations, and responded with a hybrid approach that enabled the development of apps for many devices and operating systems. This ability led some companies to make the native-or-hybrid decision too quickly, and with too little thought. Often, these companies simply followed the lead of

other companies that had developed similar apps. But the correct answer for your company depends on the specific requirements of your app.

Going the native route can add significant cost and time to app development. It also increases the total cost of ownership, as maintaining several native apps for different operating systems is more expensive than maintaining a single hybrid app. However, for complex apps that require tapping the unique capabilities of a specific OS, a native app may be the right approach.

Hybrid apps can be developed faster than native apps, and thus at lower cost. But different operating systems have inherently different styles for swiping, scrolling, etc. As a result, an app designed to work on all of them inevitably will not perform as well as one designed to work with one. These variances in performance frustrate users. Moreover, hybrid apps typically cannot take full advantage of each OS's unique capabilities.

Apps Are Where It's At

With more business transacted via smartphones in both the B2C and B2B arenas, all companies need to think about how they can use mobile apps to serve their customers better, as well as enhance their apps' performance and results. It takes time and investment to acquire the capabilities they will need to design apps that offer compelling experiences.

However, as mobile apps become an increasingly important competitive and brand differentiator, companies that rise to the challenge of designing them to 'stick' with consumers will reap the rewards.

CX AFTER THE SALE

How IoT Technologies Are Revamping the Post-Sale Experience

Reimagining the Contact Center with Digital Technologies

The Magic That Can Happen When Manufacturers Digitally Attach Themselves to Their Products

**Using IoT Technologies to Completely Rethink the Customer Experience:
Interview with Ric Merrifield**



How IoT Technologies are Revamping the Post-Sale Experience

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The next battle in the customer experience wars will not be the fight to win sales but the struggle to dominate the after-sale. The key weapon in that war will be systems built around Internet of Things (IoT) sensors and wireless communications that will enable companies to track their products, services, and—in many cases—their customers, after the purchase has been completed. The goal is to continue adding value to a company's product or service, thereby winning the customer's loyalty, and setting the scene for future revenue streams throughout the customer lifecycle.

IoT technologies are advancing rapidly. Global IoT spending will grow at a compound rate of 15.6% through 2020 when it will become a \$1.29 trillion market, according to

a 2017 IDC report.⁴⁴ IoT technologies are graduating from the experimentation phase and becoming central to business strategy. It is no longer a question of whether and when the technology will deliver value, but where they will have the greatest impact.

The post-sales experience, ripe for reinvention, will be one of those areas. For many products, the post-sale experience is the biggest driver of customer satisfaction—or dissatisfaction. Four out of 10 American consumers said their post-sale experience with a company was the most memorable aspect of the brand experience, and eight out of 10 said a positive post-purchase experience was important.⁴⁵

For many products, the post-sale experience is the biggest driver of customer satisfaction—or dissatisfaction.

In addition to post-sales brand impact, new technologies will have a major impact on the costs of taking care of customers throughout the product lifecycle. Clearly, the opportunity is enormous for companies across industries, to embrace IoT systems to transform the post-sales experience. The IoT can provide companies with the ‘ultimate truth’ on product performance: how their offerings are performing in the hands of customers.⁴⁶ Companies that leverage IoT technologies to reveal those truths most effectively will win the customer experience wars.

⁴⁴ International Data Corporation, Worldwide Semiannual Internet of Things Spending Guide, January 4, 2017, accessed May 17, 2017, http://www.idc.com/getdoc.jsp?containerId=IDC_P29475


⁴⁵ Connected Consumers and the Most Personal Brand Experience, Support.com, October 2015, accessed May 17, 2017, <http://pages.support.com/rs/629-ZQG-206/images/Connected-Consumers-Research-Report.pdf>

⁴⁶ Harvard Business Review, Using IoT Data to Understand How Your Products Perform, June 16, 2016, accessed May 17, 2017, <https://hbr.org/2016/06/using-iot-data-to-understand-how-your-products-perform>

Transforming the Post-Purchase World

IoT systems present companies with a wide range of opportunities to improve, or even reinvent, the post-sale experience for themselves and their customers—from increasing customer satisfaction to reducing costs to shortening response times. We have identified five key areas where IoT technologies can help transform this experience.

1. Getting ahead of pending product failures and service problems



One of the most obvious ways that IoT can improve the post-sale experience is using the technology to better understand how products are performing in the field. In doing so, companies can avoid frustrating, value-destroying equipment failures and costly service visits before they happen. This is especially important in high-tech and other industries where high-value assets are deployed.

Automated teller machine (ATM) maker Diebold Nixdorf Inc. has been using technology to diagnose and remotely repair its ATMs without having to dispatch a technician. This is a complete strategic transformation for the company, whose service processes were built around dispatching parts and labor whenever there was a problem with a machine.

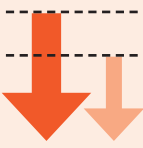
Diebold Nixdorf can now solve 17% of ATM problems remotely, which has reduced ATM downtime by 15% and whittled the turnaround time to fix an ATM from three hours to less than 30 minutes.⁴⁷

⁴⁷ RTInsights.com, Fixing ATMs – Remotely, Securely and in Real Time, accessed May 17, 2017, <https://www.rtinsights.com/atm-repair-predictive-maintenance-diebold-ptc/>

Coca-Cola Enterprise in Europe has been using sensors on its vending machines to track supplies and machine problems for several years,⁴⁸ and GE Healthcare is Internet-connecting two million medical imaging machines worldwide, including 500,000 of its own.⁴⁹

With IoT, companies from telecom equipment manufacturers to hardware vendors can monitor their devices for signs of impending problems, thereby reducing the number of customer repair visits, improving first-time fix metrics, and generally shortening the time-to-repair. Proactive maintenance, enabled by the IoT, is applicable in consumer electronics and other home goods, from hot water tanks to HDTVs, improving the customer experience and keeping companies in front of their customers after the sale. As the cost of IoT-enabled devices comes down, the scope will continue to increase.

2. Reducing the number and costs of returns

 Reverse logistics are a major cost in retailing and other sectors. According to the National Retail Federation, 8% of consumer products sold by retailers in the U.S. are returned annually, accounting for \$260 billion in merchandise.⁵⁰ And while it may be relatively simple to return a product on the front end, the process is extremely complex and expensive on the back end. IoT technology capable of diagnosing or preventing product issues could reduce the likelihood of product returns and the associated costs of returns handling.

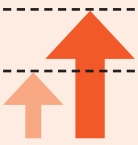
Customers might be less likely to return items if they are fixed quickly and remotely, benefiting the customer (who retrieves greater value from his or her purchase) and preserving retailer revenues while reducing post-sale return costs. Remotely diagnosing problematic products that are beyond the point of repair will save companies from paying to have them returned; customers instead can be asked to dispose of the products themselves.

⁴⁸ The Wall Street Journal, How Coke is Leveraging the Internet of Things, June 25, 2014, accessed May 17, 2017, <http://blogs.wsj.com/cio/2014/06/25/how-coke-is-leveraging-the-internet-of-things/>

⁴⁹ Diagnostic Imaging, The Internet of Medical Imaging Things is Here, March 17, 2016, accessed May 17, 2017, <http://www.diagnosticimaging.com/pacs-and-informatics/internet-medical-imaging-things-here>

⁵⁰ National Retail Federation, 2015: Consumer Returns in the Retail Industry, accessed May 17, 2017, https://nrf.com/sites/default/files/Images/Media%20Center/NRF%20Retail%20Return%20Fraud%20Final_0.pdf

3. Increasing value and convenience throughout the product lifecycle



There are many ways companies can use IoT technologies to help customers make better use of their products post-purchase, as well as experience less frustration with them. GE Aviation's Predix software platform enables its customers to get better performance

(and greater value) from the jet engines it sells them. HP has turned its products into IoT hubs in its customers' homes. It fitted its printers with wireless sensors to monitor ink levels and trigger replacement cartridge orders before the customer runs out—providing both convenience and recurring revenue.⁵¹ Amazon has introduced an IoT button (based on its consumer Dash button for reordering products) which developers and programmers can use to access Amazon's cloud to count or track items, order services (from TV programs to pizza), or provide feedback.⁵² One company has even introduced 'Internet-connected' prescription bottles that sense how many capsules are left inside, how often an individual is taking the pills, and how changes in prescription regimen affect test results.⁵³

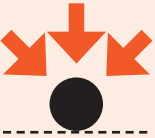
According to the National Retail Federation, 8% of consumer products sold by retailers in the U.S. are returned annually, accounting for \$260 billion in merchandise.

⁵¹ TCS, HP Turns Printers into IoT Hubs in the Home, accessed May 17, 2017, <http://sites.tcs.com/internet-of-things/case-studies/hp/>

⁵² Amazon Web Services, AWS IoT Button, accessed May 17, 2017, <https://aws.amazon.com/iotbutton/>

⁵³ Wired, The Pill Bottle is a Smart Phone Wannabe, March 25, 2013, accessed May 17, 2017, <https://www.wired.com/2013/03/adhere-tech-smart-pill-bottle/>

4. Informing R&D



IoT sensors can be a valuable source of data to inform the development of new or improved products and services. By analyzing the ways in which customers use their products and services, companies can determine which features are most useful and which customers consider less valuable. Common sources of failure can be addressed in future designs, and the data retrieved from products can significantly shorten the design-test-build development cycle, helping companies bring new products and services to market more quickly, thereby gaining a march on their competitors.

5. Increasing sales opportunities



Data gathered from IoT-connected devices enable companies to evolve from reactive to proactive selling, and not just of post-purchase services such as ink cartridges. Companies can analyze the ongoing performance of the products they sell to customers for trends that might indicate other product needs. A network equipment manufacturer might notice customer usage patterns that are straining the customer's existing infrastructure and use that data to sell the company more appropriate networking products to prevent future failures.

Applying IoT to the Post-Sales Experience

While there is clear value in implementing IoT infrastructure to improve the customer's long-term product or service experience, many companies struggle with deciding where to start. There are **five steps** a company can take to identify and begin pursuing these opportunities.



1. Determine the best use cases

Before thinking about investment, companies should seek to understand which products or services would benefit most from IoT enablement. Expensive goods and services, or those with a greater incidence of service issues, are good targets. 'Internet-connecting' a product that consumers are likely to throw away if it fails, is wasted investment. In fact, TCS research found that 54% of companies were using sensors to monitor products valued at \$1 million to \$10 million while just 6% were doing so with products valued at \$100 or less.⁵⁴



2. Calculate the impact

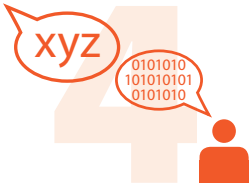
Creating robust business cases can be time-consuming and difficult since IoT is still an emerging area. But companies can use existing data to create proxy business cases to get a good idea of the financial impact of IoT on their product or service prior to making a large investment.



3. Conduct a mini proof of concept

Begin by Internet-connecting one product or product line to make sure the technology works and is generating the benefits expected for the company and its customers. The outcome of this will help inform future business cases and validate the assumptions you make. Piggy backing on a new product release can be a good place to start rather than reverse engineering an existing product.

⁵⁴ TCS 2015 research on IoT, accessed May 3, 2017, <http://sites.tcs.com/internet-of-things/>



4. Make the case for customer data sharing

It's important to make it clear what customers can expect in exchange for sharing data with the company. HP offered customers savings of up to 50% for participating in its initial IoT-enabled printer launch.



5. Create a robust IoT foundation

Companies ultimately must implement the infrastructure required to support IoT-enabled transformation of the post-purchase experience. For many companies, obtaining the infrastructure (and technical know-how) through 'as-a-service' model may be the best approach, at least in early stages, if not indefinitely. Ocean shipping company Maersk Lines, for example, has been using Ericsson's cloud to host the real-time monitoring of its fleet since 2012.⁵⁵

Companies must, however, build and manage their own product usage databases to handle the torrent of real-time data at a scale and speed never encountered before. In fact, they are very likely to need artificial intelligence systems to make sense of it all. For instance, in the months after launching its IoT-enabled Cat Connect service in 2014, heavy equipment maker Caterpillar was receiving a million terabytes of data a day from its equipment.⁵⁶ The next year, the company invested in a big data predictive analytics company and, in 2016, it bought M2M, which creates hosted solutions for monitoring and managing assets remotely.⁵⁷

⁵⁵ InternetWeek, A New Go-to-Market Model for the Industrial Internet, October 8, 2015, accessed May 17, 2017, <http://www.industryweek.com/growth-strategies/new-go-market-model-industrial-internet>

⁵⁶ Caterpillar, Caterpillar and Uptake to Create Analytics Solutions, March 5, 2015, accessed May 17, 2017, <http://www.caterpillar.com/en/news/corporate-press-releases/h/caterpillar-and-uptake-to-create-analytics-solutions.html>

⁵⁷ Caterpillar, Caterpillar Acquires M2M Data Corporation Expanding Cat® Connect Suite of Offerings, 2016, accessed May 17, 2017, http://www.cat.com/en_US/news/engine-press-releases/caterpillar-acquires-m2m-data-corporation-expanding-cat-connect-suite-of-offerings.html

The Ultimate Differentiator

Customer experience is becoming the ultimate competitive differentiator, and the post-sales period is rapidly emerging as the most critical aspect of that experience. Companies that want to continue to win in their markets need to act now to explore the opportunities IoT-related technologies are creating to transform the post purchase experience to help retain and build long lasting customer connections.

Reimagining the Contact Center with Digital Technologies

Authors

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It costs \$600 billion per year to field the 270 billion calls made annually to the world's customer contact centers.⁵⁸ Many of these are already highly automated, using voice recognition and other technologies to expedite call routing and processing. But advances in digital technologies could help these centers deliver far better service to more customers at lower cost. Here is a look at ways in which companies can evolve their contact centers and increase customer loyalty and profitability.

⁵⁸ CIO magazine, 'Telcos May Replace Call Centre Staff with IBM's Watson,' March 23, 2015, accessed April 4, 2017, <http://cio.co.ke/news/top-stories/telcos-may-replace-call-centre-staff-with-ibm%E2%80%99s-watson>

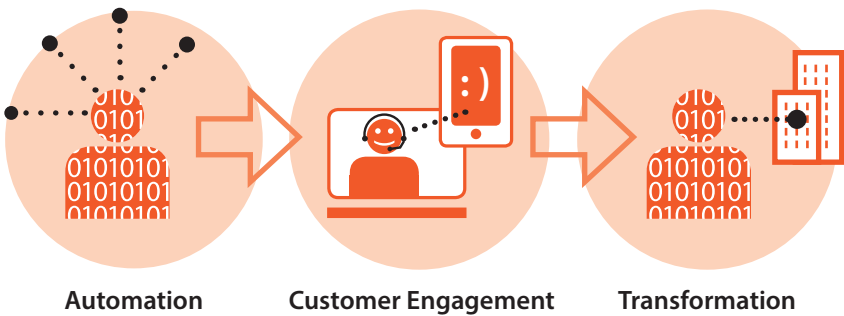
From Call Centers to Contact Centers

Once upon a time, most people contacted customer service by telephone. Just 10 years ago, smartphones were in their infancy, social media was for kids, and it was rare for anyone to use email to contact a company to ask a question or file a complaint.

That world is vanishing. In 2015, digital contact (email, web chat, social media, and self-service channels) was on pace to overtake voice-based contact by this year. But these new capabilities don't come cheaply. For many corporations, contact centers are a major expense. And while they have more potential than ever to maintain and increase customer loyalty, they also have become large and growing cost centers.

We believe that the best approach to modernizing a contact center is to do it in phases: automation, customer engagement, and transformation. Let's look at each stage.

Three Stages for Upgrading the Contact Center



Three Stages for Upgrading the Contact Center

Which stage to begin requires asking a few critical questions.

Three are elemental:

- 1. How important is customer service to your company?** Is it a non-critical component or a competitive differentiator?
- 2. How complex is your product or service?** A simple product may not need a lot of customer support, while a more complex product or service might demand plenty of high-touch handholding.
- 3. Do your customers depend on the continuous operation of your products or services for their own success, or are they willing to tolerate occasional interruptions and downtime?** For example, a homeowner might be disappointed if a backyard barbecue grill fails to light in July, but be desperate if a home furnace malfunctions in January.

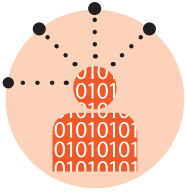
Once you answer those questions, you can go deeper into your three options for the contact center as shown in Figure 7.

The Three Stages of Contact Center Modernization

	Automation	Customer Engagement	Transformation
Primary Goal	Service and Cost Efficiency	Happier Customers and Employees	Customer Experience
Customer	Satisfied, Disconnected	Loyal, Connected	Advocate, Informed, Social
Customer Relationship	Transaction	Interaction, Engagement	Transformation
Channels	Phone, Email	Multi-channel	Omni-channel
Technology	On Premise	Hosted	Cloud, Hybrid
Analytics	Descriptive	Predictive	Prescriptive
Key Metric	Customer Satisfaction Index	Customer Lifetime Value	Net Promoter Score
Key Skills	Responsiveness, Product/Service Knowledge	Digital Technology, Problem/Opportunity Identification, Cross-selling	Advanced Analytics, Cross-functional

Figure 7: Three Stages for Evolving the Contact Center

1. Automation: For efficiency and lower costs



If you choose the automation approach, your goal should be to reduce customer volume in high-cost engagement channels such as phone calls, by shifting as much volume as possible to low-cost automated channels such as internet-based self-service knowledge banks and chat bots.

If your contact center is not automated, a first step would be to introduce basic automation elements such as Interactive Voice Response (IVR) systems that allow callers to obtain answers to many common questions in a self-service system. On the back end, process automation can improve agent productivity by reducing the time it takes to solve common, simple problems. Meanwhile, descriptive analytics can pinpoint service problems to remove bottlenecks. One of the UK's leading media and telecom businesses reduced costs \$3 million a year merely by cutting down on handling times, resolving customer problems the first time, and reducing call transfers.

Consolidation goes together with automation. If you have multiple data centers, you can reduce your real estate costs by merging them into fewer, larger facilities. At the same time, systems consolidation combined with on-demand cloud resources can reduce hardware costs. Of course, if your contact center is not a competitive driver for your business, you might want to consider the financial and

operational implications of outsourcing the function.

Such automation initiatives should be judged according to the metrics such as lower operational costs coupled with greater efficiency (e.g., higher call volume per agent, shorter average time to resolution, etc.).

Consider the case of Cell C, the third-largest GSM telecom service provider in South Africa. The company implemented a next-generation contact center solution using the Oracle Service Cloud. The new system centralized and streamlined the way Cell C provided customer service, enabling cross-channel reporting and establishing a robust knowledge management system. By automating key business processes—including prioritization and distribution of incoming customer inquiries—Cell C provided customers with a better experience, improved agent productivity, and reduced operating costs. Eventually, Cell C expects more customers will turn to the self-service knowledge base, which should limit growth in call center volume and keep costs contained.

2. Customer engagement: Happier agents, more loyal customers



For many companies, the contact center has become a competitive necessity, if not an advantage. In a 2016 global survey, 85% of contact center executives viewed customer experience as a means to differentiate their company. Half said they felt that contact centers play a primary role in customer retention.⁵⁹

A recent *Harvard Business Review* article argued that the better the environment for contact center agents, the better the outcomes for customers.⁶⁰ We agree:

Customer satisfaction starts with satisfied contact center agents.

To boost agent satisfaction, we suggest

- reinvesting the cost savings achieved through automation to streamline the systems that agents use (making their work easier),
- provide them with new skills (adding valuable learning to the work environment). The goal should be to cultivate a culture of customer engagement across traditional and newer channels by training agents to use new digital channels (e.g., chat, social media, text messages, etc.) to solve customer problems and identify customer needs.

If you follow a customer engagement strategy, track success by customer churn rates and satisfaction scores, first-contact resolution percentages, abandon rates (the percentage of

customers who hang up before agents can help them), and customer lifetime value. One way to measure whether agents are satisfied is by tracking turnover.

For example, a large automaker had an outdated contact center that could only handle voice calls. The automaker deployed new technology that enabled agents to provide multichannel support across email, phone, SMS, and chat. A knowledge management solution gave agents access to 14 internal and external information sources. Thanks to these optimizations and upgrades, the company achieved 25% faster complaint resolution and higher customer satisfaction scores. The new system also enabled managers to easily create reports that provided valuable customer insights.

⁵⁹ Deloitte's 2015 global contact center survey – Key insights, accessed April 14, 2017, <https://www2.deloitte.com/us/en/pages/operations/articles/2015-global-contact-center-survey-results.html>

⁶⁰ Harvard Business Review, Customer Service Reps Work Best When They Work Together, April 10, 2017, accessed May 16, 2017, <https://hbr.org/2017/04/let-your-call-center-reps-collaborate>

3. Transformation: Predicting and preventing customer problems



Are the products your company sells, or the services it provides, vital to your customers' operations? That's often the case for industrial companies selling high-ticket items (like aircraft engines) to business customers.

If this is your business, you might consider transforming your contact center into a profit center. By embedding Internet of Things (IoT) technology into your company's products, you can gain access to a trove of data. With proper analysis, this data will give you a better understanding of the way that customers use your products and services.

IoT technology can also enable prescriptive analytics, allowing your contact center to move beyond responding to customer problems and to begin anticipating them. With remote diagnostics tools, agents can monitor equipment and reach out to customers to flag concerns, suggest improvement opportunities, or stop problems before they occur.

Instead of focusing first on your own business' efficiency, a transformative contact center approach looks to make your customers' operations more efficient, turning them into loyal brand advocates. As a transformative contact center initiative begins to succeed, you should see lower customer acquisition

costs and higher transaction conversion rates. Average order values should increase. Ultimately, the primary measure of success will be whether the contact center drives revenue growth and profit.

It takes skilled agents to transform a contact center. They will need high-level customer management and analytical skills, along with a passion for solving problems. For example, contact center agents at a cable and phone service provider that monitors customer data usage for abnormal activity could reach out to alert customers if they might be experiencing a hacking attack.

In another sector, we've been working with a utility provider to prove the feasibility of having the contact center plugged into data from a connected home. If sensors indicate that a furnace has failed, or a hot water heater has sprung a leak, the agent could call to help the customer avoid a catastrophe.

Creating Contact Centers for a Complex World

Digital technology now occupies every corner of our lives, and as products and services incorporate digital technologies, they become more complex. Customers need more support to use these digitally enhanced products and services to their full potential. And now that those products can be interconnected, contact centers can be proactive, anticipating and preventing customer problems from occurring. That will turn such a contact center into a killer app for inspiring loyalty.

With the right technology and agent training, contact centers can help companies stand out, deliver memorable service, and attract new business.



The Magic That Happens When Manufacturers Digitally Attach Themselves to Their Products

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A growing number of manufacturers are digitally connecting to their products after they leave the shop floor. These companies are monitoring the experience their customers are having with those products throughout the customer lifecycle. By doing so, manufacturers can continue adding value to customers after the sale, and even develop new revenue streams.

This phenomenon is especially visible in industrial manufacturing. For example, one turbine manufacturer is offering remote diagnostics-as-a-service, resolving 85% of alerts remotely. That reduces turbine downtime (saving the customer money) and the frequency of field service visits (lowering its costs and customers' service costs).

Such digital connectivity allows aircraft engine makers like General Electric and Pratt & Whitney to monitor engine performance even during flights. By doing so, these manufacturers have evolved a new business model of ‘servitization’—charging customers ‘power by the hour,’ rather than selling or leasing their engines outright. That generates a recurring revenue stream, while eliminating a significant capital expense and maintenance costs for customers.

A 2015 TCS Global Trends Study found the industrial manufacturing sector was second out of 13 global industries surveyed in what the average company spent on IoT as a percentage of revenue.⁶¹

All this is made possible by the Internet of Things (IoT), which is increasingly penetrating all areas of manufacturing. A more recent study by IDC found the industrial manufacturing sector is now number one in IoT spending.⁶²

⁶¹ TCS, The Internet of Things: The Complete Reimaginative Force, accessed May 18, 2017, <http://sites.tcs.com/internet-of-things/#>

⁶² ZD Net, The five industries leading the IoT revolution, February 1, 2017, accessed May 18, 2017, <http://www.zdnet.com/article/the-five-industries-leading-the-iot-revolution/>

The Competitive Advantage of a Deeper Customer Understanding

A company's ability to deeply understand how customers are using its products is transformational. GE CEO, Jeff Immelt, said the new businesses his company is creating by digitally connecting its industrial products to customers' operations is "the most important thing [CEOs are] going to work on, at least in this era."⁶³ He warned CEOs who fail to invest in this area do so at their own peril.

By intimately understanding how customers use their products, manufacturers are now able to make big improvements in the customer experience. In particular, they can shift from reactive, break-fix services, to predictive services that help prevent their products from breaking in the first place. For example, electric car maker Tesla received a recall notice in 2014 from the U.S. National Highway Traffic Safety Administration. Tesla was able to fix over 22,000 cars without assuming the expense of a multimillion-dollar recall—and without inconveniencing its customers by forcing them to drive to dealers to drop off their cars.

How did Tesla do it? Simply by wirelessly releasing a software patch to the cars.⁶⁴ As Caterpillar CEO Doug Oberhelman says, "Our business model runs on uptime for customers. If we run at a lower cost than our competition, we win."⁶⁵ In this instance, Tesla won.

The manufacturer-customer connection, enabled by digitalization, is especially critical to manufacturers beset by commoditization. By adding digital services to products, they can create new revenue streams and differentiate themselves and their products. For many manufacturers, this digitalization lets them shift from being just a maker and distributor, to also providing service to customers, whether they are other businesses or consumers. Some manufacturers hope to move from a 90-10 product-service ratio to 50-50, to increase margins and develop recurring revenue streams.⁶⁶

⁶³ GE's Jeff Immelt on Digitizing in the Industrial Space, October 2015, accessed May 18, 2017, <http://www.mckinsey.com/business-functions/organization/our-insights/ges-jeff-immelt-on-digitizing-in-the-industrial-space>

⁶⁴ Wired, Tesla's Over-the-Air Fix: Best Example Yet of the Internet of Things?, February 2014, accessed May 18, 2017, <https://www.wired.com/insights/2014/02/teslas-air-fix-best-example-yet-internet-things/>

⁶⁵ Caterpillar and the Internet of Big Things, October 15, 2015, accessed May 18, 2017, <http://www.caterpillar.com/en/news/caterpillarNews/innovation/caterpillar-disrupted.html>

⁶⁶ TCS, Servitization in Manufacturing – The Final Frontier, Dec. 2016, accessed May 18, 2017, <https://www.tcs.com/content/dam/tcs/pdf/Industries/manufacturing/abstract/Servitization-in-Manufacturing-the-final-frontier.pdf>



A manufacturer must gain a 360-degree view of its customers throughout the lifecycle in which they use its products.

To make this transformation, a manufacturer must gain a 360-degree view of its customers throughout the lifecycle in which they use its products. This is far different from a transactional snapshot retrieved when the product is sold, serviced, and returned. It requires shifting the focus from upfront product sales revenue to lifetime revenue from customers.

By having a continuous data stream flowing into its systems, a manufacturer can tailor its products to how customers use them. It can also allow customers to customize the product and how they use it. For example, when GE monitored how its engines on Alitalia planes were consuming fuel, the Italian airline changed the wing flap positions in landings. This reduced fuel use and, of course, Alitalia's costs. It was mutually beneficial for both companies, and was made possible by the continuous digital monitoring that creates a more-than-transactional relationship.⁶⁷

Such customer product usage data will ultimately give the manufacturers that possess it something their competitors do not have: insight into what other products and services the customer will need. And that will produce more than new product and revenue opportunities. It will allow manufacturers to charge a premium (even for commoditized goods) and, more importantly, provide an enduring competitive advantage.

⁶⁷ Harvard Business Review, How Smart, Connected Products Are Transforming Competition, November 2014, accessed June 6, 2017, <https://hbr.org/2014/11/how-smart-connected-products-are-transforming-competition>

How Manufacturers Can Get from Here (Today) to There (Tomorrow)

To gain this competitive advantage through digitalization, manufacturers must begin by developing an overarching business strategy because they must change their business model. They have to think hard about how to create and maintain that competitive advantage over time.

Many services a company rolls out can—and will—be quickly copied by competitors. Consequently, executives must think about developing products to which they can add features continuously. At the same time, they must simplify and lower the cost of the business processes that provide the services attached to those products. Digitalization has a great potential to reduce cost of operations and build trust with customers through transparent and real-time visibility in sales and service.

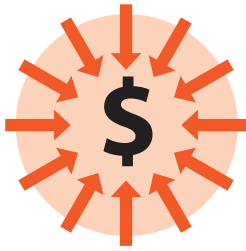
Manufacturers have key choices to make here. One is whether to sell a product or maintain ownership and sell the product as a service (i.e., servitization), charging only for the use of the asset. This is becoming the case not only with end products but also components

of a product or system—for example, airplane engines (as power by the hour) and truck tires (as Michelin now does, charging fleet owners a per-kilometer rate).⁶⁸ Indeed, some manufacturers believe after-sale transactions may be more profitable than the sale of the product itself. They're launching services for repair and troubleshooting their products, and selling follow-on products and services (such as updated GPS mapping systems for automobiles).

Another choice that manufacturers have here is about the channels for connecting with customers. Traditionally, many manufacturers sold and serviced their products through distributors and dealers. But today's digital portals let manufacturers connect directly to end customers.

If its strategy is one of servitization, then a manufacturer must keep a rich digital connection to the products that are in customers' hands. If it can continually monitor the condition of its products, a manufacturer can develop a more detailed and accurate picture of how to price its support services and warranties.

⁶⁸ *Monetizing Innovation*, Madhavan Ramanujam and Georg Tacke, Wiley, 2016, pp. 81-82



Your business strategy must also determine how much income your company can retrieve—not on a quarterly basis, but over an extended period. Generally, the higher the value of the product (such as aircraft engines and luxury cars), the greater the opportunity for after-sale profits derived from digital connectivity.

Several car insurance companies are tracking their customers' driving behaviors to more precisely price the policies they offer and sell additional features. Indeed, the number of drivers now enrolled in pay-how-you-drive programs has doubled since 2013. Progressive, one of America's largest car insurers, has 4 million usage-based customers. Its policies are based on telematic technologies that use machine learning algorithms. Such insurers can adjust premiums on an almost real-time basis, which benefits them (by reducing their risks) and their better-driving customers (who pay less).⁶⁹

Your business strategy must also determine how much income your company can retrieve—not on a quarterly basis, but over an extended period. Generally, the higher the value of the product (such as aircraft engines and luxury cars), the greater the opportunity for after-sale profits derived from digital connectivity. Lower-value products—think coffee makers, toasters, and barbecue grills—have shorter product lifecycles. They are more likely to be replaced than repaired. They, therefore, will have a lower return on digital investment.

That said, IoT enables manufacturers of all products to make money on them after the sale. The question is not if, but where they can make money.

Importantly, manufacturers must develop infrastructure and partner ecosystems capable of collecting and analyzing the volumes of digital data coming from the field. Most manufacturers are still aggregating data above the local field level. However, few companies outside the energy industry collect information on a

⁶⁹ 3 Reasons Insurers Are Moving to Behavior-Based Insurance, May 25, 2016, accessed June 6, 2017, <https://gotruemotion.com/3-reasons-why-insurers-are-moving-to-behavior-based-insurance/>

customer-by-customer basis. That data is still owned primarily by retailers and channel partners (if they have robust CRM systems).

That's why it's so important for manufacturers to be transparent with their channel and distribution partners. To get their data, you must share your own. That may mean sharing leads with distributors and/or developing robust communication pathways to exchange product maintenance information.

Finally, manufacturers need to change their corporate mindsets from product purveyors to service providers. This means focusing investments on marketing, sales, and, above all, customer relations. From a financial perspective, shifting revenue from immediate sales to service and product usage over time must be modeled carefully. Key performance metrics need to be customer-focused (e.g., customer satisfaction measures and customer lifetime value) rather than sales volume and one-time sales revenue.

Your core service mindset must be about helping the customer use and get value from your products. The R&D function must also become customer-centric. It must examine product features through the customer's lens, looking at enhancements that will improve the customer experience rather than adding the next new cool feature that customers may neither value nor be willing to pay for.

A New Business Era

One doesn't need a crystal ball to see that the future of manufacturing lies in developing digitally connected products that continually report back to the companies that made them (or to the retailer that sold them).

That's why using IoT technologies to improve the customer experience after the customer takes possession of a product is now so critical to the future of many manufacturers.



Using IoT Technologies to Completely Rethink the Customer Experience:

Interview with Ric Merrifield

Ric Merrifield is a thought leader and an independent consultant who has worked at companies such as Microsoft and Accenture over the last 20 years in studying the impact of digital technologies on the customer experience and the IT architectures of major companies. His landmark 2008 *Harvard Business Review* article ("The Next Revolution in Productivity")⁷⁰ was a manifesto on how service-oriented architectures were beginning to change the rules of digital competition. Based in Seattle, Merrifield has published four articles in the *Harvard Business Review* in all, as well as a book (*Rethink: A Business Manifesto for Cutting Costs and Boosting Innovation*; Pearson FT Press, 2009). His most recent writings are about how companies are using the Internet of Things technologies to reengineer customer experience. In 2016, Merrifield delivered a TEDx⁷¹ talk about how technology will help improve the quality of life.

TCS: *How consequential do you feel the Internet of Things (IoT) will be on the ways companies design customer experiences? Is IoT bigger than CRM in this regard? Is it bigger than smartphones?*

Ric Merrifield: I was heavily involved in CRM in the early days, back in the late 1990's when you had to explain what customer relationship management meant. At the time, it was a revolutionary way for companies, especially their salespeople, to keep track of customers. But even today, CRM remains very transactional in the sense that you track prospects, you get an order, and you support them after the sale.

⁷⁰ Harvard Business Review, The Next Revolution in Productivity, June 2008, accessed May 17, 2017, <https://hbr.org/2008/06/the-next-revolution-in-productivity>

⁷¹ Youtube, What Technology Can Teach Us About Ourselves | Ric Merrifield | TEDxSanJuanIsland, February 02, 2017, accessed May 17, 2017, <https://www.youtube.com/watch?v=fYdA7lPFEKA>

With CRM, you collect data about customers at episodic touch-points—the times that your salespeople, marketing department, or call center interacted with them. The reason is that they allow your company to get a much more extensive understanding of the end-to-end experience that the *customer* has with your product—not just your experience with them in your marketing, sales, and service transactions.

You have richer context in terms of not only why they buy or don't buy, but how happy they are throughout the course of using your product or service. When they become unhappy with your offering, you can respond to that long before they stop using it. And as you collect all of this data, it helps you to be smarter when you sell to the next customer. CRM systems to date really haven't gathered this type of information.

I think IoT-enabled customer experience management is going to be much bigger than CRM—especially experiences that are enabled by IoT technologies such as digital bracelets and wireless sensors.

As the repository of information grows, and companies get clearer about their customers' motivations for purchase and how they're using the products, customer experience management will be much bigger than CRM.



TCS: *Over the last 10 years, you've consulted with Starbucks, Walt Disney World, Nordstrom, and other companies on their customer experience initiatives. Knowing that you can only say so much about them, what larger lessons have you drawn from them for all companies that are managing, or planning to launch major customer experience initiatives—often a part of what many companies today are calling their 'digital transformation'?*

Merrifield: If you have information about their past experiences, you can infer their preferences from those experiences. For example, are they focused on price or speed of service or whether they're looking for a certain product or service that they can't get anywhere else? Those insights will help you make better suggestions now that they're on your premises again.

Once you detect that a customer has walked onto your premises (whether it's a restaurant, store, theme park, bank branch, or other location), if you have historical information about their past experiences with your firm, what should you offer to them now?

The message to a price-focused Starbucks customer might be, "Hey, you can save \$.50 on your vanilla latte today." Or if you're the customer looking for something different, it might be "Hey, we have a new pumpkin scone that you might like to try with your vanilla latte."



All to say, you don't always have to lower your price in delivering a personalized message to a customer to increase the value that they get from you. That is a key learning from customer experience data: It's not always about giving people discounts or better deals; it's about figuring out what they like and want so that the message resonates with them and you can both waste less time on messages that aren't going to make sense for them. When you make an experience exclusive, or in some way personalize it, certain customers will even pay more.

Until now, there used to be a lot of guess work about this. When somebody walked in your store, your store clerks had to look at them and judge—Is this person here to spend money or just walk around and kill time? Do they want to grab a pair of bargain shoes and get out of here or do they want to have someone cater to them, walk all the different aisles and show them what's new? Ten people who just walked in your door may have very different goals. And unless you recognized the customer from a prior visit, you had no clue about what he or she was there for now.

Now, with customer experience management data, a department store should know the second you walk in that you bought a belt online last week from their site. They might figure you're looking to buy a pair of slacks or shoes to go with it.



It's not always about giving people discounts or better deals; it's about figuring out what they like and want so that the message resonates with them and you can both waste less time on messages that aren't going to make sense for them.



By the way, the best retail organizations are paying great attention to group behaviors at different days of the week and times of the day. At 9:00 AM, they may get a very different mix of customers than what they get at lunch or at 3:00 PM or 6:00 PM. And many of these retailers are putting products and displays on wheels so they can move them around at different times of day to appeal to different customers and customer behavior.

TCS: *Many customer experience initiatives are monumental projects. Disney spent an estimated \$1 billion on its initiative at Walt Disney World. Other companies are spending in the hundreds of millions on their digital transformation initiatives. Does this mean a large company always needs to spend a huge amount to get something tangible in return for some IoT-enabled customer experience initiative?*

Merrifield: Not at all. What doesn't always make headlines is that Starbucks and Disney both started with very practical business objectives and relatively modest goals for what they initially wanted to accomplish.

Disney and Starbucks had a couple of known problems that they wanted to solve. The customer experience problem Disney solved at Disney World was that people didn't know that there are more days' worth of things to do at Disney World than a typical visit would cover. So it ultimately started as an education project. It created a 'My Disney Experience' portal to help people learn why they should stay longer. And the key to that was removing the obstacles to making them wait in lines. So the Magic Band, a digital bracelet, became an enabling technology that allowed people to redeem the entitlements that they had created through the My Disney Experience portal. It was never about increasing demand—getting more people to go visit the park. It was always about extending the duration of the stay of people planning to go.



Starbucks' goal of improving the store experience was similar: reducing long lines. It realized that sometimes the line is very long. But either way, many people don't want to wait in line. The company wanted to allow customers to place an order and set their expectation about when it's going to be ready so that the cup of coffee doesn't get cold. Whether they're coming in for speed of service or a price or a Starbucks product they can't get anywhere else, Starbucks didn't want them to wait in line to be served.

It turned out, and it's no secret now, that Starbucks unlocked billions of dollars of revenue a year by using digital technologies to shorten the lines—that it has a class of customer who it wasn't serving well: those people who saw the long line of cars waiting to go through the drive through and then decided to go somewhere else, or a long line in the store, and walked back out again. It was a much bigger problem than Starbucks initially realized.

That is a really sound place to start. If you know you've got a problem or an opportunity to serve more customers than you're serving today, or there's an education gap where they don't know something about your products and services, then that is a great place to start.



You've got to start with a practical business case that will deliver value. But for most organizations, investing hundreds of millions or billions of dollars isn't going to be the right place to start unless there is clear business value.

What value do you provide to customers that will keep them coming back for more?

TCS: *So even if it starts small, what kinds of barriers should companies expect to face in making a meaningful improvement in its customer experience?*

Merrifield: One is a lack of expertise internally for doing much of this work. A team of technology people who have become great at managing servers, networks, help desks, and so on may see the technologies of customer experience as one more new technology they can learn and master.

It's not so easy. Things like customer experience journey mapping are hard and different from what most people in companies do on a day-to-day basis. It may look easy, but it's not. Starbucks did most of its work in house. That won't be the right decision for all companies.

Having people who have done this before, who understand why it's hard, know how to not only define the scope but also how to develop the technology and test it, roll it out, and sustain it—those are all pretty hard things to do. Stringing them all together successfully is *really* hard.



But it all needs to begin with a sound business case. Copycatting someone else is risky. Your business case must answer this question: What value do you provide to customers that will keep them coming back for more?

TCS: *What about the role of top management in these initiatives. Are they that important to success?*

Merrifield: Yes, and for more reasons than you might realize. To set the right tone, the CEO usually needs to be involved, and not just because a company may have to write a big cheque. Customer experience initiatives such as the ones I've been involved in can collapse under their own weight of popularity. By this, I mean people will want to take credit and be involved—and it may turn out that they shouldn't be involved because it takes fresh thinking and can threaten people's empires. Some very powerful people may therefore get their feelings hurt.

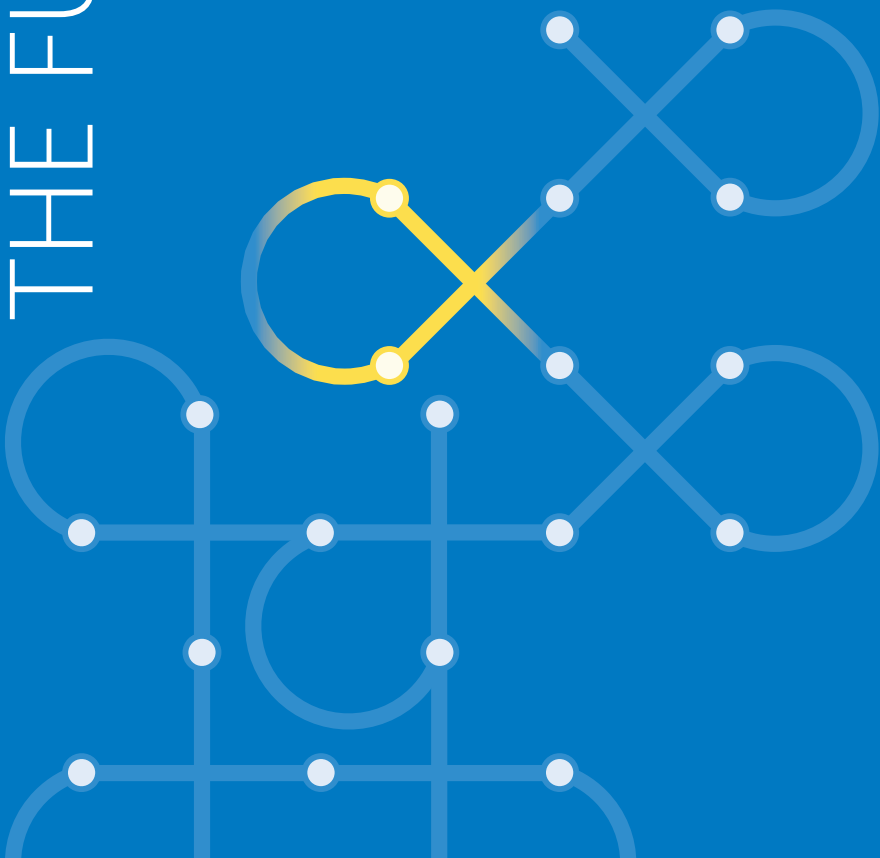
And the CEO is just going to have to step in and say, "This is how we're going to deliver value in the future." Politics can kill these initiatives. Companies will need oversight and governance of these initiatives as they surface the politics of the organization.

It's why customer experience transformations are better done by a stand-alone team (as Disney World did), or by a separate entity such as a joint venture. In either case, they need to report to the CEO or head of the business. Making it a stand-alone project will speed it up and reduce the risk of counterproductive slowdowns that happen when it's a functionally focused initiative run by people as a side job.

THE FUTURE OF CX

**Why Your CX Must Soon Plug and Play
into a Digital Ecosystem**

**What Comes After CXM?
Helping Customers Help Other Customers**



Why Your CX Must Soon Plug and Play into a Digital Ecosystem

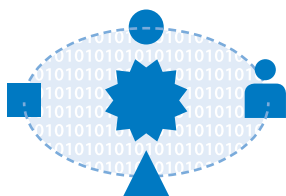
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Digital ecosystems increasingly are coalescing around companies that offer consumers the products and services they need to accomplish major goals—for example, buying a home or car, taking a big vacation, or finding a new job. Companies that are knitting these ecosystems together—think TripAdvisor in travel or TrueCar.com in purchasing autos—will begin setting the standard in the digital experience that customers have become accustomed to. As such, every company that wants to plug into these ecosystems will need to ensure that its piece of the digital experience is on par with those of other companies.

Consider the way consumers buy homes now. When many people look for a new home, they enter sprawling digital ecosystems filled with connected real estate companies, mortgage providers, insurance firms, home inspectors, lawyers, movers, and more. When they search for a new car, they find themselves in a digital ecosystem comprising dealers, insurers, motor vehicle registries, and even in-car entertainment systems sold by a variety of providers. And when they take a vacation, they dip into another digital ecosystem of hotels, restaurants, tour companies, entertainment venues, and so forth.



Companies at the forefront of digitizing their businesses recognize that they must compete in digital ecosystems, which Gartner defines as groupings of “enterprises, competitors, customers, regulators, and other stakeholders that exchange information and interact electronically.”⁷³

These digital ecosystems first began to emerge approximately 20 years ago, starting in travel (e.g., Expedia, Priceline, Travelocity) and automobiles (Cars.com), and later in sectors such as music (e.g., iTunes launched by Apple in 2003⁷²). A recent Gartner survey of more than 2,500 CIOs in 93 countries found that 79% of top performers participated in digital ecosystems compared with 49% of average performers and 24% of trailing companies.

Companies at the forefront of digitizing their businesses recognize that they must compete in digital ecosystems, which Gartner defines as groupings of “enterprises, competitors, customers, regulators, and other stakeholders that exchange information and interact electronically.”⁷³

Consider a company like TripAdvisor, which has carved out an important niche in the \$1.3 trillion global travel market. The company hosts some 465 million reviews on 7 million hotels, motels, restaurants, and tourist attractions. Visitors to TripAdvisor will find links to more than 200 websites where they can research and book hotels. TripAdvisor’s 390 million unique average monthly visitors have earned the company \$1.5 billion in revenue and \$120 million in net income in 2016.⁷⁴

⁷² Quartz Media, iTunes is 13 years old—and it’s still awful, April 28, 2016, accessed May 15, 2017, <https://qz.com/666078/itunes-is-13-years-old-today-and-its-still-awful/>

⁷³ Gartner, Gartner Survey of More Than 2,500 CIOs Charts the Rise of the Digital Ecosystem, October 17, 2016, accessed May 2, 2017, <http://www.gartner.com/newsroom/id/3481117>

⁷⁴ TripAdvisor, Q4 2016 Results, February 2017, accessed May 2, 2017, http://files.shareholder.com/downloads/AMDA-MMXS5/4209184980x0x928194/54F610B1-184F-429C-AD46-DA4C90846520/Q4_2016_Investor_Presentation.pdf

Naturally, TripAdvisor profits from the ecosystem it has built. But the company is only successful because its ecosystem partners are also successful. The benefit for travelers is convenience and information. They can find lodging, dining, and entertainment options, all in one spot. And from that one spot, they can compare prices, reserve rooms, make dinner reservations and so on. Call it the aggregation of their purchase journey.

The businesses that participate in the ecosystem must compete fiercely for attention—primarily by continually improving their offerings and the customer experience (CX). But access to TripAdvisor’s vast audience of potential customers makes the competitive pool well worth swimming in.

Delivering Better CX Through Journey Aggregation

Just as TripAdvisor has aggregated the customer’s purchase journey for travel, so other journey aggregators will soon arise to establish digital ecosystems in just about every industry. These aggregators will succeed by simplifying complex purchase pathways, offering consumers a more streamlined, one-stop shopping experience. Even niche players and startups can grab significant market share (and put established competitors on notice) by participating in these ecosystems, thereby improving the customer journey while offering a better CX.

The opportunities in the digital universe are too large, too numerous, and too fleeting for any single company to capture on its own. But by assembling diverse coalitions of partners, developers, collaborators, suppliers, and others into mutually beneficial digital ecosystems, companies can explore new possibilities they could not hope to reach by themselves. The question will become this: Who should assemble these coalitions, and should the organizer be a consortium or an independent and impartial organization?

Many companies aren't waiting to find out. Take Kabbage, a startup upending the world of small-business lending. The company recognized that small-business owners needed a faster, more convenient way to apply for and get decisions on loans.⁷⁵ The company lets customers apply for loans through its website or mobile app. Loan applicants give Kabbage permission to access their data on payment processing, accounting, shipping and more, drawing from a long list of ecosystem partners like PayPal, eBay, Etsy, Square, Stripe, Intuit QuickBooks, Xero, and UPS. They can even let Kabbage gauge the strength of their social networks.

All this data helps Kabbage analyze revenue consistency, cash flow, and other factors that determine whether an applicant is a good credit risk, allowing it to make a lending decision

in minutes. If a customer is approved for a line of credit up to \$150,000, they can start using the funds the same day.

More recently, Kabbage has been forming partnerships and licensing its lending technology to banks such as Santander and Scotiabank. As of May 2016, the company had extended \$2 billion in funding to 75,000 small-business customers based on more than 1 million data points.⁷⁶

Kabbage's partners are the lifeblood of its digital ecosystem. They possess the data Kabbage needs to make funding decisions and improve its customers' borrowing experience. And if its partners' customers get loans, they will be able to do more business with the firms in Kabbage's digital ecosystem. That means more payment processing for PayPal, more shipping for UPS, and more accounting business for Intuit's QuickBooks.

There's another reason for companies to participate in digital ecosystems: If they don't, they risk ending up on the outside looking in.

⁷⁵ Forbes, The Six-Minute Loan: How Kabbage Is Upending Small Business Lending -- And Building A Very Big Business, May 6, 2015, accessed April 28, 2017, <https://www.forbes.com/sites/darrendahl/2015/05/06/the-six-minute-loan-how-kabbage-is-upending-small-business-lending-and-building-a-very-big-business/#6ee968429042>

⁷⁶ Wikipedia, Kabbage, accessed April 28, 2017, <https://en.wikipedia.org/wiki/Kabbage>

Higher Customer Expectations, Higher Stakes

Because so much business now is transacted digitally, customer expectations for their digital experience have risen.

Customers want instant service and convenience; they want a smooth interface. And many of them—especially those who have grown up in a world where people post details of their private lives on Facebook, Snapchat, YouTube, and more—are comfortable sharing their data with trusted companies if doing so will make their lives easier. Indeed, Kabbage’s COO and co-founder (Kathryn Petralia) says improving CX was the firm’s central goal. She predicts that the financial space will continue to evolve to provide “more seamless, flexible options.”⁷⁷

But don’t be fooled into thinking that digital ecosystems are just for startups like Kabbage. Allianz, the Fortune Global 500 insurer, has created an ecosystem that extends from companies that provide sensing and monitoring services to plumbers, engineers, and health service providers, building open APIs as a platform for connectivity.⁷⁸ So does the American insurance company USAA, which provides many products and services for its military family customers in their online car-buying journey⁷⁹.

Historically, insurance companies have helped customers recover from disasters. By building a digital ecosystem that utilizes the massive volume of data generated by billions of connected devices that form the Internet of Things (IoT), Allianz sees a future in which insurance companies become proactive, watching over customers to prevent small problems from escalating. Instead of helping people repair their home after a flood, Allianz could alert a customer when a sensor detects a pipe beginning to leak. Instead of paying out a life insurance policy after a customer’s heart attack, Allianz could alert medical teams to abnormal data generated by an IoT heart monitor.

⁷⁷ Small Business Nation, Small Business Spotlight: Kabbage, June 2, 2016, accessed on May 18, 2017, <http://uschamberssmallbusinessnation.com/blog/sbn-spotlight-kabbage>

⁷⁸ I – Global Intelligence for the CIO, Allianz: Enriching customer experience through digitalization, June 2016, accessed April 29, 2017, <http://www.i-cio.com/innovation/internet-of-things/item/allianz-enriching-customer-experience-through-digitalization>

⁷⁹ Nunwood, Customer experience best practice: USAA recognised as the USA’s leading customer experience brand for another consecutive year, May 18, 2016, accessed May 15, 2017, <http://www.nunwood.com/customer-experience-best-practice-usaa-recognised-usas-leading-customer-experience-brand-consecutive-year/>

How to Deliver Amazing CX Through a Digital Ecosystem

Consumers will soon be purchasing many products and services from companies that participate in digital ecosystems. These ecosystems will make it easier for customers to tackle many steps in a larger purchase decision at the same time—not just searching real estate listings for a new house (step one), but simultaneously finding a real estate agent, a home inspector, a competitive mortgage rate, and service providers for any needed repairs or ongoing needs such as telephony, security, property maintenance, and others—that is, steps two through n , all at once, via a digital ecosystem.

How can a company deliver an amazing CX at every step in the customer’s purchase journey? Here are five steps:



Design to differentiate: Look for the biggest unsolved problems in your customers’ lives related to the product or service that you provide. Getting the basics right is a given; being a follower is no longer an option. To find out what these unsolved problems are, you need to ask your customers about them. Then use design thinking and service design approaches to solve those problems. For example, one insurance company realized its customers often struggled to provide the documentation necessary to replace items lost in a flood or fire. Accordingly, the company let consumers create a digital vault to store electronic copies of purchase receipts, along with photos and other supporting material for their most valuable possessions. This digital documentation helps the insurance company make the claims process faster, easier, and less stressful for the customer.

2



Gain a deeper understanding of customer needs:

The best way to satisfy customers is to understand what they want, where they want it, and when. To calibrate offerings to individual customers, companies must possess robust data collection and analysis capabilities (or, like Kabbage, partner with ecosystem companies that do). When Amazon realized that customers wanted an even faster and easier way to transact, it produced a new device—Echo. Today, millions of people place orders via Echo simply by talking to Alexa, Amazon's virtual agent.

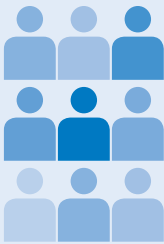
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Design for the future: Technology constantly advances.

As you design the CX for your digital ecosystem, bake in the flexibility you'll need for future upgrades. For instance, a large European telecommunications systems provider recently held a workshop to evaluate changes in CX over the past 100 years. By studying the drivers of past change, the company hopes to predict future change.

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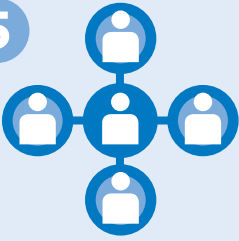


Include a community network: Consumers trust the recommendations of friends and family more than any other source. Two-thirds said they trusted opinions of other consumers posted online.⁸⁰ TripAdvisor and Angie's List (home services) have established platforms for consumers to share feedback on their experiences. This strategy has won Angie's List more than 5 million members, powering the company to over \$323 million in revenue and nearly \$28 million in adjusted EBITDA in 2016.⁸¹ Incorporating community review into your digital ecosystem makes it more trustworthy. And consumers who trust your ecosystem will be more likely to use it and recommend it, creating a positive feedback loop.

⁸⁰ The Nielsen Company, Global Trust in Advertising, September 28, 2015, accessed April 29, 2017, <http://www.nielsen.com/us/en/insights/reports/2015/global-trust-in-advertising-2015.html>

⁸¹ Angie's List, Angie's List Reports Fourth Quarter and Full Year 2016 Results, February 15, 2017, accessed April 30, 2017, <http://investor.angieslist.com/releasedetail.cfm?ReleaseID=1011942>

5



Choose the right partners: The strength of any ecosystem—and the quality of its CX—relies on its participants. Look for partners that are leaders in their field, or startups with promising technological, operational, or strategic innovations. Work closely with your digital ecosystem partners so you can learn from one another and ensure your ecosystem contains no subpar experiences in the customer’s purchase journey.

Digital ecosystems are not a far-off twinkle in a futurist’s eye. In many sectors, they’re already here. In others, they will arise soon. Now is the time to evaluate your CX to see how it fits into the big picture.

What Comes After CXM? Helping Customers Help Other Customers

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Thirty years ago, large global companies began building data warehouses—centralizing the information they gathered from customers in marketing, sales, and service interactions. About 10 years later, these firms began analyzing this data using customer relationship management (CRM) systems. Their aim: to increase revenue by identifying the most profitable, highest-value customers and to provide them with more targeted care and attention. The result would be a better customer experience, greater loyalty, and higher lifetime customer value.

Over the past 10 years, the rise of smartphones and social media has pushed companies to launch customer experience management (CXM) initiatives to improve and synchronize customers' offline and online experiences and optimize touch

points. Where CRM reacts to customer-initiated sales and service interactions, CXM takes a *proactive* approach—for instance, by monitoring and sometimes facilitating interactions on social media, discussion boards, or product review sites.

As CRM and CXM have become must-haves, many companies are now wondering how they can further differentiate and outdo their competition. This is especially important today because those competitors are also leveraging their own CRM systems and CXM touch points. We believe that the next logical step is for companies to provide value to their customers by using the customer data they've already collected, and then helping those customers engage productively with other customers.

We refer to this as inter-customer relationship management, or ICRM to use an acronym. Many companies have done this for years, but in an ad-hoc way. For example, a mortgage banker might provide a list of local contractors to a customer with a home equity line of credit who is building a home addition. Or a home improvement store manager might recommend an electrician to a customer interested in upgrading their home's lighting. Other firms, such as large investment banks and enterprise software companies, hold annual conferences that let customers network with each other. In these events, customers form relationships with other customers, some of which lead to business.

But with ICRM, we propose a deeper, more rigorous and more systematic approach to making these customer-to-customer business transactions happen. We believe that companies which offer ICRM capabilities will see a big rise in customer loyalty and profitability. Customers whose businesses thrive thanks to a supplier's ICRM program will have the resources and the motivation to do more business with that supplier.

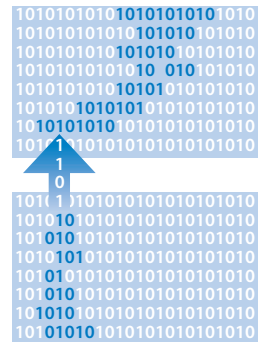
Taking Customer Relationships to the Next Level

To be sure, in pursuing their ICRM opportunities, companies cannot try to be all things to all people. An aircraft manufacturer might learn that a customer is not happy with his legal representation, but that doesn't mean the manufacturer should acquire a law firm to offer legal services. But we do believe many companies have insights from the customer data they collect to identify customer needs that they cannot resolve themselves. What's more, we believe these companies could introduce those customers to other customers of theirs that stand to be rewarded with both future revenue and increased loyalty.

What would ICRM look like in practice? Large companies would take existing customer data and adopt protocols for collecting new data on unfulfilled customer needs—needs that go beyond their ability to satisfy. Then they would use that data to generate insights about potential business synergies among customers.

It's important not to confuse ICRM with similar-sounding models. ICRM is not synonymous with consumer-to-consumer (C2C) commerce. C2C applies to platforms like eBay and Craigslist that let consumers buy and sell products (and occasionally services) from one another. Typically, these 'relationships' are isolated and transactional. Hopefully, each party is satisfied with the transaction, but they are unlikely to form an ongoing commercial relationship. By contrast, part of an ICRM program's goal is to help customers forge ongoing and mutually beneficial business relationships.

There is also a difference in scale. While Craigslist and eBay can be used for large-dollar transactions, as the name C2C suggests, they mostly enable smaller consumer-to-consumer transactions. ICRM *could* be used for this purpose, but its real potential is for larger transactions.



Large companies would take existing customer data and adopt protocols for collecting new data on unfulfilled customer needs—needs that go beyond their ability to satisfy. Then they would use that data to generate insights about potential business synergies among customers.

For example, a consulting firm might discover that the CEO of a private equity client likes Swiss watches, but it would not necessarily use ICRM to connect the CEO with another client looking to sell a Swiss watch. Instead, it might use ICRM to connect the private equity CEO with another client—let’s say a Swiss watch manufacturer—looking for an investor. In other words, the ICRM system would generate insights on the CEO’s interests and search its customer ecosystem to see if they align with identified business opportunities.

While C2C platforms offer some protection and guarantees, C2C is largely a buyer-beware world. C2C platforms provide opportunities for participants to rate one another, yet buyers and sellers take a leap of faith when doing business they don’t know on the other side of the transaction. In contrast, we envision ICRM as a walled garden. Customers would know that when they do business with another party, that party has been vetted and chosen for them by a trusted third-party—the company running the ICRM program.

Some companies have begun to recognize the value of facilitating relationships among customers, and have taken small steps in that direction. For years, large software companies such as Oracle, SAP, and Salesforce, and investment banks such as Allen & Co. have held conferences where customers are encouraged to mingle. Many profitable deals have been struck thanks to connections made at these conferences.

While these events and the connections they spawn provide mutual benefit to most participants, they are not ICRM. At a conference, the onus is on customers to seek each other out; they have no way of knowing which of the dozens and sometimes hundreds of attendees would be the best fit for their business needs.

In contrast, an ICRM operator would make specific suggestions, introducing customers to one or perhaps a few fellow customers that are most likely (in the ICRM operator’s ‘data-informed’ judgment) to result in a beneficial business relationship. Data that supported these matches would also be made available to each party.

From Expense to Revenue Source

By operating an ICRM program, a company would be able to help its customers solve pressing needs, grow their businesses and become more profitable. As a result, customers may start to see the ICRM provider as a revenue generator and business partner. In this way, ICRM makes the relationship between the customer and the company operating the ICRM system stickier. Customers will be less likely to move if they know their fellow customers are potential new business opportunities.

The Internet has made it easy for customers to find alternative vendors. It has also given out-of-market players new opportunities to enter service sectors like banking and insurance, and quickly siphon off customers. Consequently, customer retention has become even more critical to every company's bottom line.

Studies show that acquiring a new customer costs anywhere from five to 25 times more than retaining an existing one.⁸²

To the extent that ICRM can improve customer satisfaction, it has a good chance of also increasing customer retention. A 2016 study found that retailers and publishers which increased spending on customer retention in the last one to three years had an almost 200% higher likelihood of increasing market share than those that increased spending on customer acquisition.⁸³

⁸² Harvard Business Review, The Value of Keeping the Right Customers, October 29, 2014, accessed April 20, 2017, <https://hbr.org/2014/10/the-value-of-keeping-the-right-customers>

⁸³ Forbes Insight, Retentionomics: The Path to Profitable Growth, 2016, accessed May 18, 2017, http://me.sailthru.com/rs/362-ZZF-167/images/Sailthru_Retentionomics_Forbes_Insights_Path_to_Profitable_Growth.pdf?aliid=2844907

How to Build an ICRM Program

So what does it take to implement a robust ICRM?

First, it requires a digital engine for automating the large-scale identification of inter-customer business opportunities. This engine should be able to incorporate social media monitoring and text analysis.

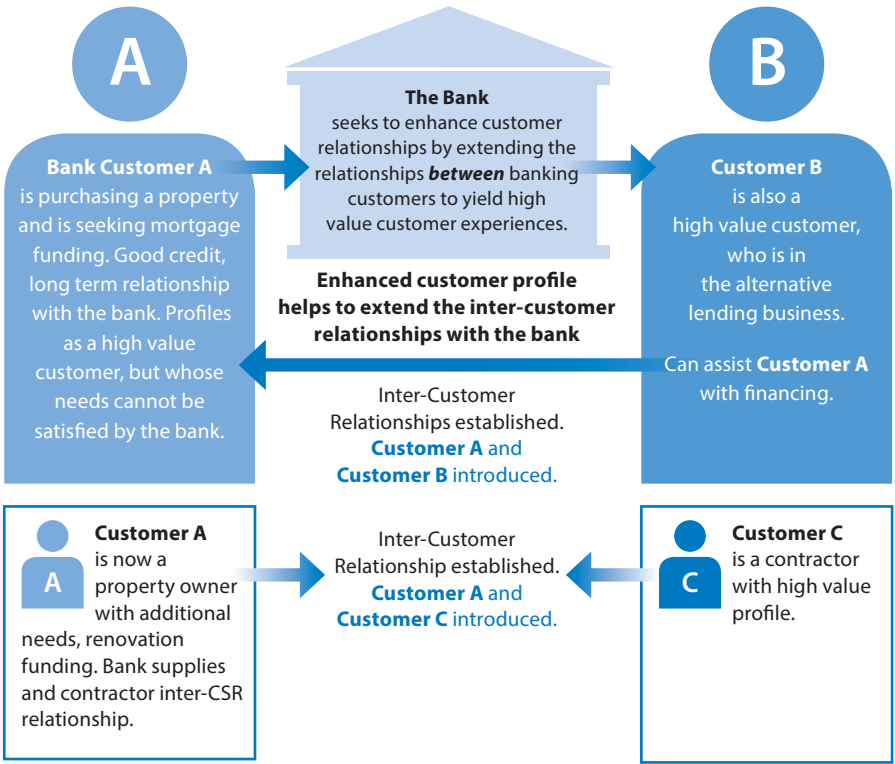
Many companies monitor social media to keep tabs on customer sentiments and respond to nascent PR problems. In an ICRM context, social media allows companies to identify not just customer complaints, but also unmet needs. In some cases, the company itself might be able to fill those needs; in others, it could use its ICRM program to find another customer that can.

For example, a bank monitoring a customer's Facebook feed might learn that its customer is planning an addition to his home. For the bank, this is a dual opportunity: first, to provide a loan, and second, to find building contractors who are also bank customers. The bank, then, could offer to connect suitable contractors to customers who are expanding their homes. Figure 8 shows how ICRM could increase value for a bank customer working as a contractor.

To reach ICRM's full potential, you'll need technology that can gather and analyze unstructured data. You'll also need to enhance your customer profiling to gain better visibility into the products and services (and their quality) that your customers can provide to other customers.

Ideally, your ICRM program should also be able to track these referrals to see whether they have generated the desired business benefits for your customers—a key indicator of program success.

Figure 8: What ICRM Might Look Like at a Bank



Key Concepts:

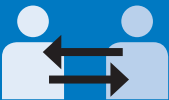
- Enhanced customer profiling
- Inter-customer relationships
- Extended relationship mapping

Benefits:

- Promotes higher success rate of positive CX
- Helps increase each customers value to the bank and financial value to both the bank and to themselves
- Adds to bank revenue/profit by adding to internal customers finance and ultimately the bank

You'll also need to decide how hands-on you want to be with the administration of the program. For example, do you want to automate the ICRM program so your IT systems can compose and distribute messages to customers when data analysis reveals potential matches between unmet needs and qualified providers? Or do you want a human to vet matches before you make them? Perhaps your company wants to play a larger role in these connections, with a senior manager making the final decision on whether to make the connection, and then facilitating introductions with a call or email?

The Path to Inter-Customer Relationship Management for Financial Institutions



Banks are commonly organized around product groups, so the typical question they ask is, "Who can we sell a CD, credit card, or home equity line of credit to?"

This product-centered approach often leads to uncoordinated, inefficient communications with customers. Secondly, there is very little consideration given to individual customer needs or interests. The net result is often a disappointing customer response, with customers more likely to view marketing activities based on this strategy as an unwelcome intrusion.

'Next Best Action' strategy, on the other hand, is structured around what you know about that individual customer. Customers are only offered financial products and services relevant to their needs and the bank develops a deeper, more valuable relationship with the customer. Initiating this level of insight for an ICRM initiative is not very different from current Next Best Action usage. You are providing an offer that, if accepted, will generate ongoing value for each party in the transaction. In the case of ICRM, that would be the respondent, the other customer and the financial institution that initiates the connection.

How To Start

To begin an ICRM program, make sure your CRM and CXM systems are identifying customer needs your company can't fill, but which other customers might be able to. Marketing, sales, and service functions should understand that capturing this data is a business priority.

The banking industry is well-positioned to take the lead in developing and implementing ICRM programs. The reason is that banks already have processes to vet customer trustworthiness and financial stability. Customers trust their banks to safeguard their money. It would not be a great leap for a bank's customers to extend their trust to fellow customers introduced to them by that bank. In addition, bank officers often develop personal relationships with a wide network of clients through retail branch networks.

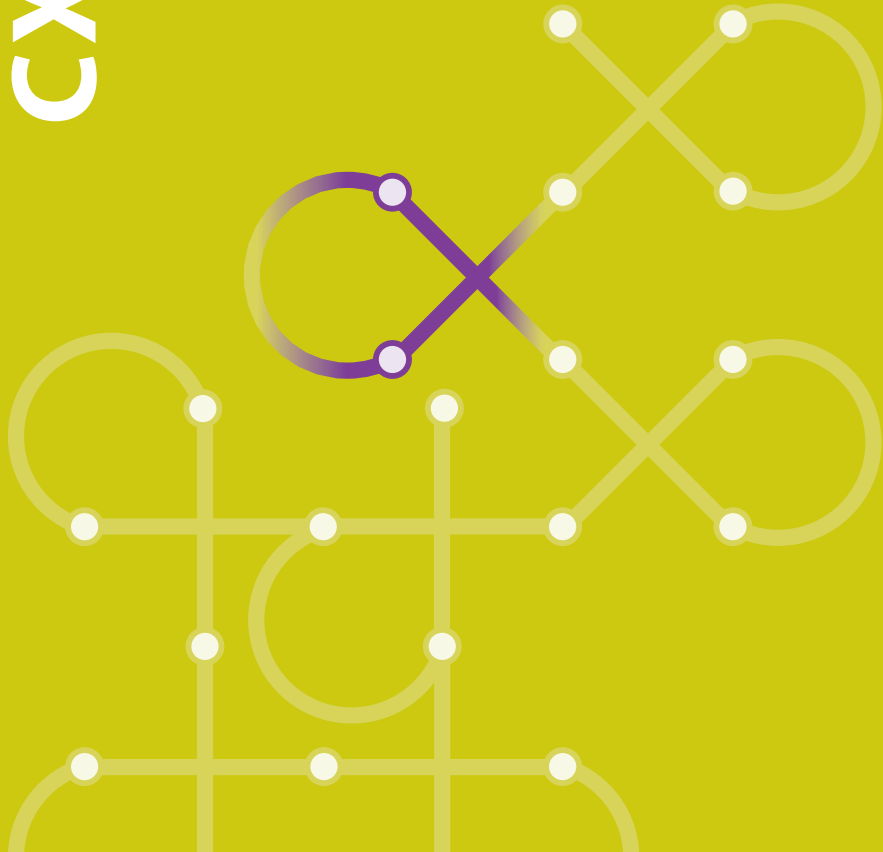
ICRM pioneers should expect to tackle several challenging questions. For instance:

- Would customers opt-in to an ICRM program, or would they automatically be registered unless they opted out?
- To what extent would the ICRM operator vouch for each customer when making a connection? And how would the ICRM operator respond if a "match" turned out to be unsuccessful and even acrimonious?
- Should the ICRM program pull from external databases (e.g., the Better Business Bureau or Yelp) to help customers assess recommendations?
- How would customers provide feedback on their ICRM experience? What mechanism could be put in place? Would that feedback be available to other ICRM participants (which is the eBay model)? Or would the feedback only be accessible to the ICRM administrator?

As with any new initiative, ICRM trailblazers will need to experiment to find their way.

In a world where at some point CRM and CXM initiatives are no longer providing significant competitive differentiators, companies that gain a first-mover advantage in developing ICRM programs could add significant value for their customers, and help themselves stand out from the crowd.

CX LEADERSHIP



How the CEO can Propel a CX Initiative

Author

By Krishnan Ramanujam

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Whether it's a series of tweaks or a wholesale transformation, every customer experience initiative will run into roadblocks along the way. They can throw the program off track or even derail it altogether. Such bumps include turf battles among customer-facing functions, over-optimistic expectations of untested technologies and poor project management.

However, one factor can help a CX initiative withstand even multiple setbacks along the way: a deeply involved CEO. From our client work, and from studying transformations at other companies, we've seen five instrumental roles that CEOs have played in successful CX initiatives: consensus builder, experience unifier, influential designer, chief customer advocate and thought leader.

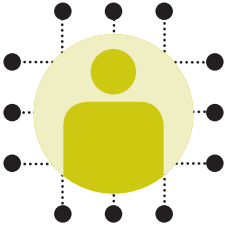
I'll examine each role and illustrate them with examples from such companies as Domino's Pizza, Burberry, Pepsi, Virgin Group and Airbnb.



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1. Consensus Builder:

1. Convincing Key Constituencies to Go Along



Some CX initiatives cost companies a great deal of money. And even when the potential returns are projected to be multiple times the investment, these programs can create anxiety among key stakeholders: board directors, division leaders, functional heads, and highly influential CFOs. In these cases, a convincing CEO can be the only force that gets the program off the ground. The experience of Domino's Pizza Inc. CEO, Patrick Doyle, is a perfect case in point.

Domino's is an Ann Arbor, Michigan-based company that delivers pizza direct from its pizza-making operations around the U.S. and other countries to consumers, businesses, homes, and offices. Back in 2010, the company's growth had stalled, and its share price was less than \$10. From comments that customers made on social media, its phone lines, and other places, Doyle got the message: Domino's pizza wasn't good enough. That year, he even went public with such comments in a TV commercial (e.g., "Worst excuse for pizza I ever had"). He vowed to fix it.

But after customers, the next group Doyle had to convince was Domino's franchisees—the 1,100 business people who owned 90% of the chain's U.S. locations back then. This would not be an easy group to persuade. Their businesses were hurting badly (the Great Recession of 2009 hadn't helped). And part of making the pizza better and delivering it faster required them to make substantial investments.

So how did Doyle do it? Through extensive consumer research that showed the pizza had to get much better, and customers would embrace the improvements that corporate had experimented with. It took 18 months to research and analyze what the company needed and get buy-in from franchisees. But it worked. “The fundamental starting point for getting buy-in ... was very thoroughly [thinking through] how it is going to affect everybody,” he said.⁸⁴ “If you do that, then it starts to get a lot easier. ... They are going to understand that you have done that work.”

Says Doyle: “You want to build consensus as often as you can. That’s what gives you the |credibility to, every once in a while, hope that most of the people will line up behind you.”⁸⁵

Today, Domino’s is vibrant again, with a stock price approaching \$200 a share, revenue of \$2.5 billion in 2016 (more than three times the number in 2010⁸⁶), and profits of more than \$200 million.

⁸⁴ Franchisee publication, accessed May 7, 2017, http://www.blumaumau.org/11166/domino's_ceo_patrick_doyle_leading#comments

⁸⁶ Franchisee publication, accessed May 7, 2017, http://www.blumaumau.org/11169/domino's_ceo_doyle_laying_groundwork_change

⁸⁵ Domino’s revenue in 2010 was \$694 million, according to the firm’s annual report, accessed May 7, 2017, http://www.annualreports.com/HostedData/AnnualReportArchive/d/ASX_DMP_2010.pdf

2. Unifier: Getting Everyone on the Same Page



One reason why many companies launch organization-wide CX transformations is that the experiences they offer are highly inconsistent. This happens frequently in industries such as retailing and restaurants, where customers in one country or a region of that country encounter very different experiences or even a very different set of products.

One company suffering from this malady was UK apparel retailer Burberry in 2006. Back then, the company known for its iconic trench coats was growing only 2% a year. (It was a \$1.2 billion firm at the time.)⁸⁷ Its products and store experiences had become highly inconsistent. “An experience in any given Burberry store in the world might be very different from the customer’s previous one,” said Angela Ahrendts, a new CEO brought in that year to turn around the company.⁸⁸

That was a huge problem, she believed. “From Apple to Starbucks, I love the consistency—knowing that anywhere in the world you can depend on having the same experience in the store or being served latte with the same taste and in the same cup. That’s great branding.”

What did Ahrendts do? She immediately appointed a ‘brand czar’ (Christopher Bailey) to set a global design for all its apparel and its stores. She told her management team that “anything that the consumer sees anywhere in the world will go through [Bailey’s] office. No exceptions.”

⁸⁷ Harvard Business Review, Burberry’s CEO on Turning an Aging British Icon into a Global Luxury Brand, January-February 2013 Issue, accessed May 7, 2017, <https://hbr.org/2013/01/burberrys-ceo-on-turning-an-aging-british-icon-into-a-global-luxury-brand>

⁸⁸ Ibid

Then to unify the design of products and store experiences, Ahrendts and Bailey started with Burberry's famous trench coat, a product whose price tag can exceed \$1,000. (It was worn by British soldiers in World War I, and by Hollywood stars in films ever since.) With products now designed in one place (not multiple sites around the world), the design team revamped the trench coat to appeal to the next wave of buyers: millennials. The designers came up with more styles and colors. They also united a series of regional company websites into one global platform. (This global site generates more online visitors every week than the number who walk through the company's stores in total.) And they had a video produced that showed the trench coat's craftsmanship. Store salespeople were instructed to play this video on their new iPad tablet devices, and many customers were impressed when they watched.

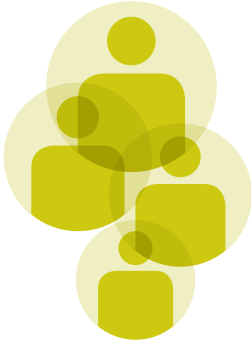
“From Apple to Starbucks, I love the consistency—knowing that anywhere in the world you can depend on having the same experience in the store or being served latte with the same taste and in the same cup. That’s great branding.”

By 2012, Burberry was back in growth mode. Revenue had nearly tripled to \$3 billion from the number in 2006, and operating income more than doubled (to \$600 million from \$250 million). Ahrendts' skill in unifying the CX brought new glory to Burberry. And her reputation for creating a great and highly consistent CX attracted the eye of Apple Inc., which hired her in 2014 to run its then-\$21 billion-a-year global business⁸⁹ of Apple stores.⁹⁰

⁸⁹ Apple retail store revenue as disclosed in the company's 2014 annual report, accessed May 7, 2017, http://investor.apple.com/secfiling.cfm?filingid=1193125-14-383437#D783162D10K_HTML_TOC783162_8

⁹⁰ Fortune, What the Heck is Angela Ahrendts Doing at Apple?, September 10, 2015, accessed May 7, 2017, <http://fortune.com/2015/09/10/angela-ahrendts-apple/>

3. Influential Designer: Putting a Thumbprint on the Experience to Come



Two CEOs have played important roles this decade in helping design their companies' customer experiences: Pepsi and Airbnb. Around 2010, Pepsi CEO Indra Nooyi was perplexed by the company's flat growth. She decided to take a customer's view of the problem, and went to a grocery store every week as a 'mom'—not as a CEO—to answer this question: "What products really speak to me?"⁹¹ From a CX standpoint, Pepsi's products did not.

Nooyi then told the executives who report to her to take a camera and an empty photo album and snap photos of products that they thought were designed well. The results were disappointing. Only a few brought back photo albums. "Some had their wives take pictures. Many did nothing at all. They didn't know what design was," Nooyi wrote in a 2015 *Harvard Business Review* article. A few Pepsi executives thought design was merely about the colors and logos used in packaging. They considered it to be "like putting lipstick on a pig, as opposed to redesigning the pig itself," she said.

At that point, Nooyi realized Pepsi had to hire a top designer. In 2012, that person (Mauro Porcini) became the first chief design officer in the company's 118-year history. "In the past, user experience wasn't part of our lexicon," Nooyi said. "Focusing on crunch, taste, and everything else now pushes us to rethink shape, packaging, form, and function." Porcini has since been helping Pepsi design the entire CX—from seeing the product on a shelf to the Pepsi fountain machine where customers pour their drinks.

⁹¹ Harvard Business Review, How Indra Nooyi Turned Design Thinking Into Strategy: An Interview with PepsiCo's CEO, September 2015 Issue, accessed May 7, 2017, <https://hbr.org/2015/09/how-indra-nooyi-turned-design-thinking-into-strategy>

Since then, Pepsi's CX design initiative—ignited by CEO Nooyi—has had impact. It's helped a new beverage product (Mountain Dew Kickstart) generate more than \$200 million in revenue in two years—not an easy feat in the food industry. It comes in a slim can and tastes nothing like the old Mountain Dew. And it appeals to women who want a lower-calorie but tasty beverage.⁹² Moreover, the company no longer outsources design to marketing agencies. Pepsi has brought the design function inside, and design thinking into nearly every major company decision.

Airbnb's CEO (Brian Chesky) took a similar but different approach. In 2011, he read in Walt Disney's biography about how the legendary cartoonist created the *Snow White* movie in the mid-1930s: storyboarding the tale before putting it to his cartoon animators. Chesky and his management team decided to do something similar: storyboard the experiences of their three main stakeholders: hosts (the people who rent their apartments, condos, or houses), guests, and employees. "When you have to storyboard something, the more realistic it is, the more decisions you have to make," he says.⁹³ Who exactly are the customers? What emotions do they have when they purchase and use your product? By storyboarding the travelers' experience at an Airbnb rental, the company thought more clearly about who the customer is. Are they men or women? Are they young or old? Do they live in cities, suburbs, or in the countryside?

Pepsi has brought the design function inside, and design thinking into nearly every major company decision.

⁹² Ibid.

⁹³ Fast Company, How Snow White Helped Airbnb's Mobile Mission, August 11, 2012, accessed May 7, 2017, <https://www.fastcompany.com/1681924/how-snow-white-helped-airbnbs-mobile-mission>

Interestingly, only two of the 33 storyboards (drawn by a Pixar artist that Chesky hired) were about a traveler at an Airbnb rental unit. That helped the management team identify new opportunities to pursue, one of which is travel excursions. After storyboarding the CX, they realized that many vacations can be dull. Through subsequent research, they found that many customers would opt for memorable excursions such as attending costume parties and midnight bike rides.⁹⁴

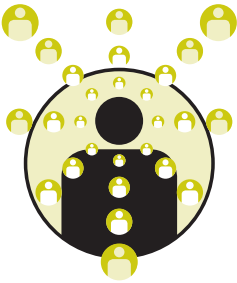
By initiating storyboard-based design thinking into the Airbnb CX, CEO Chesky set the company into hyper-growth mode. The privately held firm generated a profit of more than \$100 million on \$1.7 billion in revenue in 2016, according to one media report. And Airbnb is projected to quintuple that revenue by 2020.⁹⁵ Not bad for a company whose latest round of venture funding valued it at \$31 billion.⁹⁶

⁹⁴ Vanity Fair, Airbnb's Ambitious Second Act will Take it Way Beyond Couch-surfing, November 17, 2016, accessed May 16, 2017, <http://www.vanityfair.com/news/2016/11/airbnb-brian-chesky>

⁹⁵ Fortune, Airbnb's Profits to Top \$3 Billion by 2020, February 15, 2017, accessed May 7, 2017, <http://fortune.com/2017/02/15/airbnb-profits/>

⁹⁶ TechCrunch, March 9, 2017, accessed May 16, 2017, <https://techcrunch.com/2017/03/09/airbnb-closes-1b-round-at-31b-valuation-profitable-as-of-2h-2016-no-plans-for-ipo/>

4. Customer Advocates: Putting the Customer in the Design Room



No company is as focused on customers as online retailer Amazon.com. Its ascension to become one of the world's biggest retailers—in bricks or clicks (\$136 billion in revenue)—is a testimony to constantly sweating the details of how it deals with customers. As founding CEO Jeff Bezos told a reporter: “We’re not competitor-obsessed. We’re customer-obsessed. We start with what the customer needs and we work backwards.” That relentless focus on customers remains at Amazon, regardless of whether the company is making money. “We don’t focus on the optics of the next quarter,” Bezos has said. “We focus on what is going to be good for customers. I think this aspect of our culture is rare.”⁹⁷

In Amazon’s early days, one way Bezos kept the customer front and center was by placing an empty chair in the room for management meetings. He designated that chair as the customer’s chair, and ‘the most important person in the room’. That set Amazon’s early mindset of being customer obsessed.

⁹⁷ Forbes, Jeff Bezos Reveals His No. 1 Leadership Secret, April 4, 2012, accessed May 7, 2017, <https://www.forbes.com/forbes/2012/0423/ceo-compensation-12-amazon-technology-jeff-bezos-gets-it.html>

5. Thought Leader: CEO as CX Expert



It does a company significant good when the very top of the organization demonstrates an affinity for customers, and a company's CEO is its best public 'thought leader.' Several CEOs have played this role before, during, and after their companies' CX overhauls—and very publicly. One of the best known is Virgin Group's founder Sir Richard Branson. "Every action Branson takes and every word he speaks—whether the cameras are on or off—reflect his commitment to creating an exceptional experience for both his customers and employees," said marketing consultant Carmine Gallo after accompanying Branson on his airline's first flight from Los Angeles to Las Vegas.⁹⁸

Branson's reason for writing and speaking prolifically is brand management: It shows just how customer-obsessed the Virgin Group is. The obsession has helped build an organization that generates \$24 billion a year in revenue and employs more than 71,000 people. "A good leader doesn't get stuck behind a desk," Branson told Gallo.⁹⁹ "Anybody can sell a cup of coffee. Anyone can buy an airplane, and we all buy planes from the same manufacturers. But there the difference stops. If you fly on a Virgin plane . . . you know you're going to have a completely different experience."

Branson has been highly visible for years as a public advocate in the sectors where his 60+ companies have competed: airlines, music, banking, cable TV, and beverages, to name a few. He appears to write in his blog every day. He published a book in 2014 on leadership (*The Virgin Way*) and an autobiography three years

⁹⁸ Forbes, Seven Customer Service Lessons I Learned In One Day With Richard Branson, accessed May 7, 2017, <https://www.forbes.com/sites/carminegallo/2013/05/09/seven-customer-service-lessons-i-learned-in-one-day-with-richard-branson-video/#1df2b5726183>

⁹⁹ Ibid

before that (Losing My Virginity). He has more than 11 million followers on LinkedIn, a professional social network for which he has authored nearly 100 articles since 2012. He also has his own Twitter account (with 10.6 million followers), one that he doesn't delegate.

As a well-published CEO, Branson has helped the company become known for customer excellence. Virgin boasts of brand recognition in the 90th percentile in the UK, the U.S., France, Australia and other countries.¹⁰⁰

There are at least three other good reasons for CEOs to become more visible in CX initiatives. One is that when the big boss is passionate about something, the rest of the organization tends to get passionate too. Another is that when that boss is a key contributor, it forces the executive with daily oversight (in this case, the head of CX) to raise her game. She needs to show that she knows more than the boss about CX.

Finally, it immeasurably helps any CX initiative to have a well-informed and influential tie-breaker on big decisions. And you should fully expect that a CX transformation will bring many of those decisions to the fore.

In these five ways, CEOs can play highly influential roles in their companies' CX transformations. As these initiatives increasingly play for higher stakes, more and more CEOs should consider whether they should be playing one or more of these roles.

¹⁰⁰ Virgin – About Us, accessed May 7, 2017, <https://www.virgin.com/virgingroup/content/about-us>

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