

Experience Required

*Managing Each Customer's Experience Might
Just be the Most Important Ingredient in
Building Customer Loyalty*

Prepared by
Lawrence A. Crosby and Sheree L. Johnson
Synovate Customer Experience

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Executive Briefing

With the trend today toward commoditization and increasing price and quality parity, engaging with customers emotionally—through the brand experience—often provides the best opportunities for differentiation. Bringing a well-designed customer experience to life requires aligning every point of customer contact with the brand promise. Moreover, creating memorable customer experiences revolves around an organization realizing that its products do not make great brands. Rather, its people make brands great.

The concept of “brand experience” apparently has no generally accepted definition. As of this writing, the entry in Wikipedia (a Web-based encyclopedia) carries the caveat: “This article may require cleanup to meet Wikipedia’s quality standards.”

But we all know a branded experience when we see it. For example, many hotel guest-service employees say, “My pleasure.” This is actually from the Ritz-Carlton 20-point employee service basics, and manifests the brand principle of “ladies and gentlemen serving ladies and gentlemen.” These various hotels might not be consciously reinforcing the Ritz-Carlton brand, but that is exactly what they’re doing. Ritz-Carlton “owns” this high-standard emotional space in many consumers’ minds.

The possible moments of creating branded experiences are many. You serve your customers through your retail stores, Web site, catalogue, and customer-service call centers. And you serve them through touchpoints that are human (e.g., clerks, concierges) and automated (e.g., vending machines, voice response units, kiosks, automated teller machines). These varied interactions affect customers’ understanding of, evaluation of, and feelings about your brand. (We recognize that for some companies, the name and identity—and its accompanying signs,

symbols, sayings, and promises—is the focal object that customers hopefully develop loyalty toward. For others using either a single or multiple brand strategy, brand and company name might not be synonymous. Here we will consistently use “brand” to cover all of these situations, despite the ambiguity of the referent for a particular company’s customers and employees.) These feelings directly influence customers’ approach or avoidance tendencies with respect to your brand. In other words, emotions drive customer loyalty behaviors.

What do you want customers to feel after interactions with you at each touchpoint? Through your marketing communications, you’re setting their expectations for those interactions and making the brand promise. By consistently delivering against those brand expectations at every customer touchpoint, you can provide the reinforcement necessary to inspire repeat purchasing decisions and other loyalty behaviors. Your customer is always asking, “Is this organization following through on commitments, or is its advertising just words and images with no action behind them?” Fundamental to an organization’s reputation and perception of being trustworthy and authentic: its ability to deliver what it declares. An example is Minnesota-based Andersen Windows, which strives to create a compelling and consistent brand image across all touchpoints and channels. Andersen enjoys a sterling reputation in its industry, and a very successful track record.

Brand and Customer Management

Managing each customer’s experience is perhaps the most important ingredient in building customer loyalty. Every memorable interaction has two components: (1) It must be completed with excellence, and (2) it must reinforce your brand essence. In other words, it should reinforce how you want your customers to feel about you and themselves. It might be stated that all or most touchpoints serve two purposes: (1) to facilitate the exchange of value and (2) to communicate with customers. The notion that “every interaction is a communications opportunity”

is, of course, a fundamental premise of integrated marketing communications.

These two components are, in fact, the two research and management streams of customer satisfaction/loyalty and brand equity. Although originally approached in silos, the fusion of these two schools of thought recognizes that loyalty and brand are integrated in the customer's mind. The stream of measurements dealing with customer satisfaction, perceived quality/value, and loyalty is often under the control of operating units in many organizations. However, this is now combining with a second stream of measurements dealing with brand and brand equity. Brand measurements are often under the control of corporate advertising and the advertising agency.

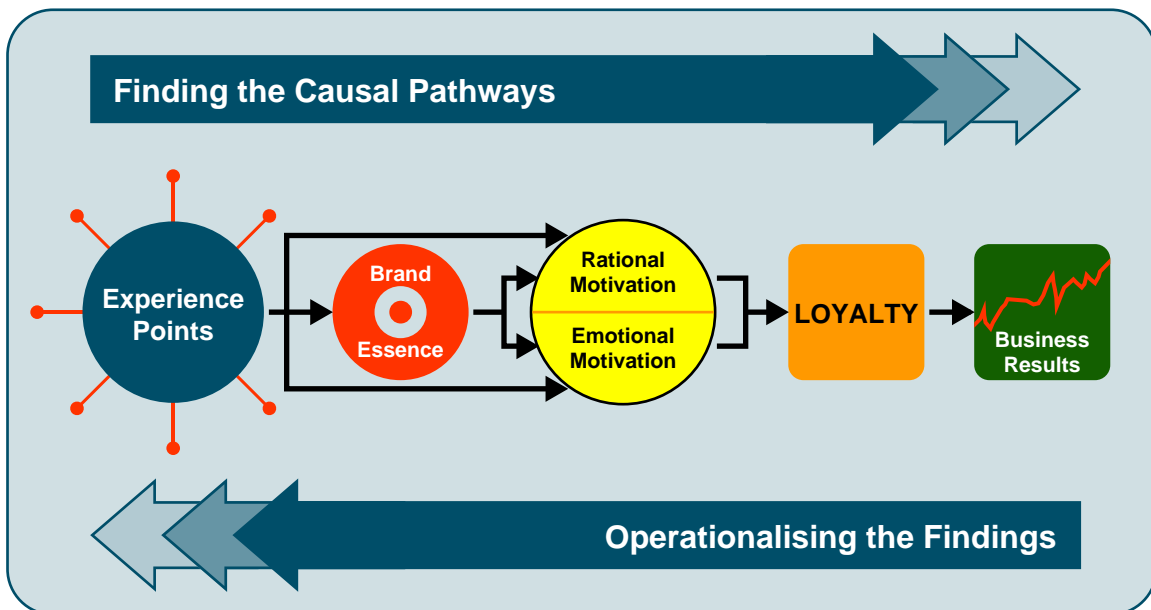
This merging might, at first blush, appear to be complicating matters. But in truth, it does finally offer many opportunities for a comprehensive and integrated understanding

of customers. It also provides for a common, aligned approach within an organization to be consistently customer-driven across all functions. Lastly, it begins to clarify the questionable distinction between customer attraction and retention—seeing both as part of the total customer life cycle.

This fusion can be clearly visualized in a brand-infused causal model of customer loyalty. A model is a theoretical representation of reality, which one uses as a thinking aid in the study of some system too complex to be understood by direct inferences from observed data. And if there is any complex system, it is human motivation.

Moving from left to right in Exhibit 1, the model hypothesizes that customer experiences with our touchpoints shape brand essence: the salient images, personality, and feelings—associations that customers have for the brand. Those brand associations, in turn,

Exhibit 1.
Brand-infused causal loyalty model



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activate both rational motivation and emotional motivation. And those two combine to influence customer loyalty.

The measurement and evaluation of these interactions and influences reveals how lasting customer relationships can be built through the daily activities of the organization—across all departments, functions, and processes. Linkage research can validate the impact of customer loyalty on marketplace and financial performance. Once these causal pathways are understood, you can operationalize the findings in your value proposition, in how you allocate resources, and in how you design your customer experiences.

Every executive or manager has his or her own hypotheses about what influences customers to do business with the organization, increase their share of wallet, and promote the brand. But a model makes all of those cause-and-effect assumptions explicit. As such, a model is really a set of complex hypotheses about customer relationships.

Motivation's Impact on Loyalty

Rational motivation has to do with the “calculative” reasons for being attached to the brand. It is as if customers are doing a mental cost-benefit analysis in their heads and asking the question, “Do the benefits of doing business with this brand outweigh the costs?” It is relatively easy for an analytically inclined manager to believe that customer decision making is primarily rationally motivated. After all, how many times do you need to hear from customers “your price is too high” before coming to the conclusion that they are making decisions with a sharp pencil and calculator?

Emotional motivation, in contrast, has more to do with the personal and symbolic reasons for being loyal to the brand. It is easy to see how these “soft concepts” (e.g., social acceptance, brand identification and internalization, feelings activation) might be undervalued in a workplace highly populated by accountants, finance people, lawyers, engineers, and those with a Master of Business Administration—in other words, the typical organization. However, this natural discounting of the emotional side of customer

decision making is at odds with what we know about human behavior from other fields.

More and more research is done today on the brain and emotions. What we're discovering is that people can't make decisions without emotions being involved. This finding comes from cases of people who had accidental destruction of the parts of their brains that produce emotions. When confronting tasks that involved clear choice about what to do, they couldn't decide—even though they could rationally and very articulately describe the pros and cons of the choice situation.

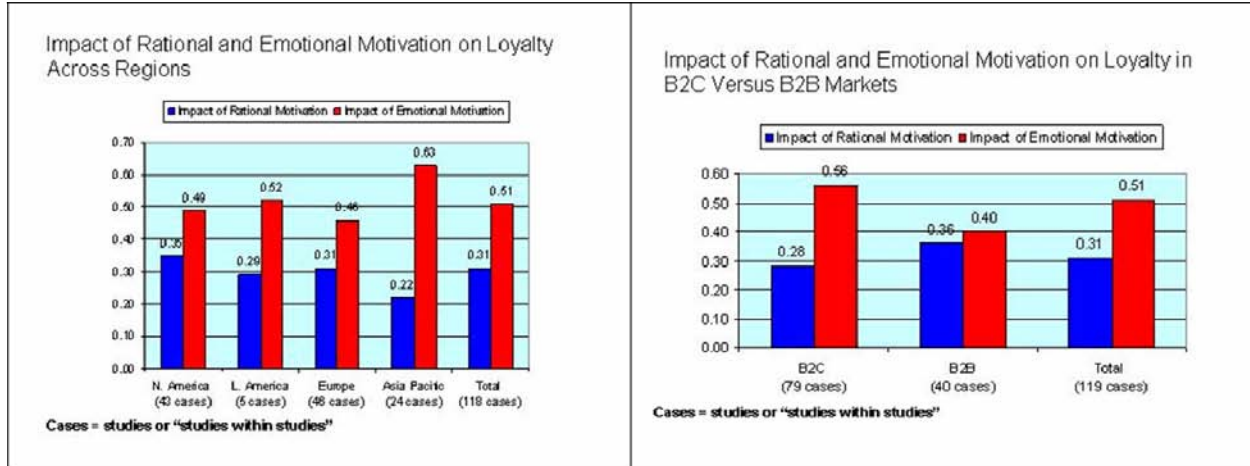
To investigate how rational motivation and emotional motivation affect customer loyalty behaviors, we conducted a meta-analysis (a study of studies) of loyalty models from our worldwide database. We looked at the relative impact of rational motivation vs. emotional motivation on loyalty, from 27 different clients—across 16 industries and 123 country segments.

Using sophisticated causal modeling, we see that across the almost 120 cases in the meta-analysis, the impact of emotional motivation on loyalty outweighs rational motivation by a ratio of about 5 to 3. And this relative relationship between emotional and rational holds across global regions. Perhaps even more surprising, we see that emotional motivation also has a very strong influence on loyalty in B2B markets. (See Exhibit 2.)

These findings are critical, considering that most customer satisfaction frameworks—which many organizations solely rely on—are biased toward rational motivation. And as a consequence, they might underestimate the influence of some touchpoints and brand essence elements, whose influence on loyalty mainly operates through emotional motivation. This, in turn, can lead to the misallocation of resources for improving loyalty. It is only by including emotional motivation in our measurements that we can really understand the true drivers of loyalty.

So the managerial implications of our findings are: Quickly get the basics right (e.g., product durability, service reliability, price), and move on to building emotional bonds with customers through some of their social and personal

Exhibit 2.



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motivation needs. We see this "higher level" bond in many global brands today—those that build loyalty by creating customer experiences that connect to self-esteem and self-actualization needs. These brands meet the customer's rational and functional needs, but also offer something additional: for instance, a learning opportunity (e.g., The Home Depot) or a chance to help others (e.g., British Airways, with its long-standing association with UNICEF).

Merger of Loyalty and Brand

Making it happen is always the catch. For example, the separation of brand management and customer relationship management (CRM) has a less than stellar success record. Many organizations embracing technology as the answer to their customer defection problems are learning some tough lessons. Most CRM software applications are sales-oriented and focus on managing leads, customizing e-mail sales messages, and pitching products and services based on the customer's propensity to respond. Their objective is short-term sales lift, rather than creating value for customers and truly managing relationships in a way that delivers against the brand promise. Issues of customer dissatisfaction and defection are seldom answered by implementing such systems. In fact, many of these short-term sales successes simply do not stick.

Likewise, quality improvement efforts alone are often insufficient to shift market shares—even

when they result in increased customer satisfaction scores, especially in transactional surveys. For example: In the auto industry, the last 10 years have witnessed consistent gains in sales and customer service index scores and notable drops in problems-per-thousand. And yet at the same time, many of these same brands have failed to improve their market positions. The likely cause is the failure to give customers a sufficient reason to buy—one that engages their hearts as well as their minds.

Brand management has also lost its impact because of a variety of reasons. In an increasingly fragmented media market, a one-size-fits-all message—delivered through impersonal mass media—is far less effective. In addition, traditional brand management is failing. This is because in many categories, organizations quickly match each other's offerings and promises. Quality differences are not discernable to the average consumer, and competing brands often make similar claims in their advertising; claims that are many times contrary to independent product and service ratings through easily accessible online websites and consumer blogs.

At the same time, brands like Starbucks, Peet's Coffee, Body Shop, Costco, IKEA, Southwest Airlines, REI, Amazon, Whole Foods, and e-Bay have demonstrated how to build brands with very little mass media advertising. They each offer a unique value proposition and focus on the customer experience.

Building customer relationships and brands is less about technology and more about consistent delivery of a superior and clearly articulated brand promise, which resonates with the customer. The responsibility for brand performance does not belong to the marketing department but to the entire organization. Many times, the different parts of the organization are not aligned to serve the customer—which results in a gap between brand promise and brand performance. Everyone who touches the customer at some point can shape his or her view of the brand. Such an organizationwide approach is critical to building brands and retaining customers.

Holistic View of the Customer

Creating this organization-wide approach requires certain essential ingredients. These provide a clear line of sight from each employee to customer behavior:

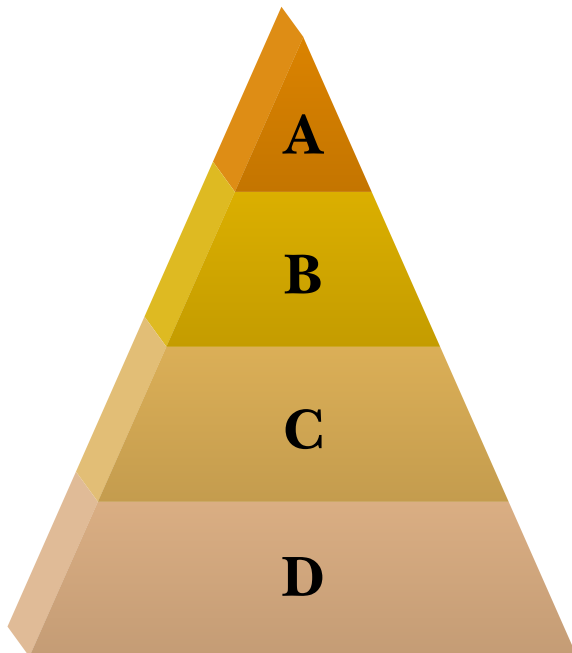
- a shared view of the brand vision and position -- how the brand wants to be perceived in the marketplace relative to the competition
- an understanding that the effective communication and delivery of the brand promise will build loyalty, both rationally and emotionally
- a clear picture of what it means to “live the brand promise” at every touchpoint

The brand-infused loyalty model can assist in gaining this essential buy in. Such a model has an organizational communication advantage of creating a common language and view of the customer experience and what it means to be customer-driven. By customizing and populating this model with organization-specific customer data, employees can understand the key levers in the customer experience for improving loyalty. They can more easily comprehend the effect that their actions have on reinforcing the brand and meeting customers’ functional and emotional needs. The research also provides the empirical evidence necessary to persuade decision makers that they might not have the complete picture of what customers really want—and feel they’re getting—from the brand.

The notion of having a holistic view of the customer is a bit more complicated than just incorporating brand elements in loyalty research,

Exhibit 3.

Integrated Measurement System



Total Relationship (Level A). Strategic quantitative measurement/modelling to understand the entire customer relationship including the rational and emotional drivers of loyalty, brand essence, and the full landscape of touch points. This research is used to set the strategic priorities for the brand and provides direction for resource allocation. It represents the highest level of tracking.

Touch point Drilldown (Level B). Quantitative and/or qualitative research that drills down into high impact areas to identify ways to “surprise and delight” customers and engage them in personally relevant ways. Qualitative research increasingly involves ethnographic, storytelling and psychodynamic methods. Quantitative tracking is more at the product/service, touch point, or brand image levels.

Event Monitoring (Level C). Quantitative measurement to capture customers’ perceptions of the most recent experience in a touch point. This tracking is increasingly done on a continuous basis with real-time reporting. Best practice methods examine the effects of that last experience on reinforcing key aspects of the brand promise.

Internal Metrics (Level D). Includes more-or-less objective metrics captured from the company’s operational systems or via observation (e.g. mystery shopping, call monitoring, etc.) that monitor processes performance against the standards of the desired customer experience.

although that is a good start. It is about having a hierarchical system of aligned and linked customer metrics that is premised around the consistent delivery of the brand experience. It is also about using these metrics in brand scorecards—to help focus and integrate efforts, establish accountability, motivate people, and track improvements.

Leading companies such as Hewlett-Packard, Whirlpool Corporation, and Microsoft have pioneered multilayer measurement approaches that include some or all of the assessments illustrated in the integrated measurement system in Exhibit 3.

Customer experience management systems of this type begin to really sing, and have credibility with employees, when the organization has done its homework to prove the cause-effect linkages from level D to level A. Although many organizations have reams of customer data, most do not take the critical next step of linking these data to what customers do and, ultimately, to the impact on business performance.

Ongoing monitoring is also critical to effectively leveraging these systems. Even if an organization already provides superior experiences, those experiences are based on what customers value—and that changes over time. Likewise, if an organization is going to the trouble of making changes to its customer experiences, then it must measure the impact of those changes on the customer and business performance metrics to have confidence that these efforts are headed in the right direction.

Employee Actions to Customer Behaviors

Many organizations find it difficult to cascade and execute brand experience strategies. Two significant challenges revolve around the role of the employee.

In some cases, an organization can articulate—with a high degree of specificity—the prescribed employee behaviors to reinforce the brand experience within a particular touchpoint. These behaviors might be constant (e.g., always refer to the customer by name) or conditional (e.g., how to recover from a problem). They are sometimes discovered through research into the ideal customer experience: What do customers think

ought to happen in the touchpoint?

Just as often, the best examples of creating “surprise and delight” for customers don’t involve preprogrammed employee behaviors at all. Instead, the customer is drawn in emotionally when an employee takes the creative initiative to do something special and out of the ordinary for him or her. An example is anticipating a need before the customer voices it. The best of all possible worlds is when these employee-initiated behaviors are guided by the organization’s values and brand strategy.

The likelihood of either of these employee behaviors occurring depends on employees’ understanding and internalization of the guiding principles, their sense of empowerment, and their drive to go above and beyond for the customer. So whether we are talking about preprogrammed or spontaneous behavior, the key determinant is the employee’s level of personal engagement and motivation to live the brand promise.

Employee engagement is the hot successor concept to employee commitment, and to employee satisfaction before that. Looking at how professional and academic publications use the term, much of the emphasis appears to be on what employees do on the job. In other words, it has a strong behavioral component akin to customer loyalty. (No matter how broadly the term “loyalty” is conceived, it does not work well in the context of employee relationships. Perhaps this is because it is too closely associated with notions of blind loyalty or employees signing a loyalty oath of some kind. It also does not jibe with the nature of the social contract that now exists between employees and employers.) These behaviors revolve around maintaining membership in the organization (retention), promoting the organization (advocacy), learning and performing one’s role in a dynamic environment (compliance), and investing discretionary effort in the job and going beyond basic job requirements (being proactive).

It is generally believed that employee engagement is very much dependent on the individual’s identification with—and personal involvement in—the organization’s goals, values, and strategies. The importance of the engagement concept in delivering the brand experience seems rather apparent: An employee who understands the brand strategy and connects with the brand promise (because it is

appealing, noble, well-regarded, and so on) is more driven to take the necessary actions that will help make that promise a reality.

Without a doubt, employees are a critical element in delivering positive customer experiences. Bringing a well-designed customer experience to life requires aligning every point of customer contact with the brand promise: from the storefronts to the call centers to the Web site, and from the first contact to ongoing service interactions. Most executives acknowledge—and research consistently supports—the so-called employee-customer-profit chain (aka service-profit chain). Employee engagement and capability have a significant and quantifiable impact on the customer experience. This, in turn, has a major impact on customer loyalty and shareholder value.

But developing employees into enthusiastic, knowledgeable brand ambassadors is not easy. It requires internal marketing that is as sophisticated as external marketing; metrics around customer-employee interactions that are clearly tied to delivering the brand promise; and a constant reassessment of employees' skills and tools, so that they're equipped to anticipate changing customer priorities and adapt to an ever-evolving brand definition and job role.

Creating memorable customer experiences revolves around making the organization something employees can believe in. It's also about an organization realizing and communicating that its products do not make great brands. Rather, its people make brands

great. The best organizations spend just as much time marketing to their employees as to their customers. These organizations realize that happy and engaged employees will usually translate into happy and engaged customers.

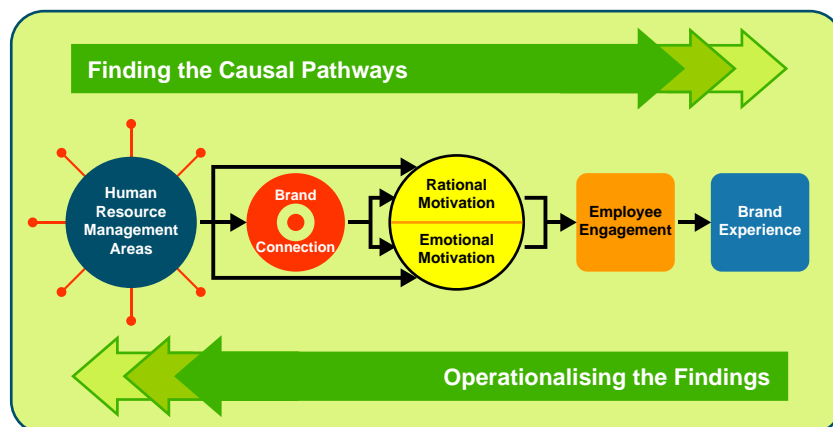
Understanding Employee Motivations

To ensure that employees are properly incentivized to support the brand promise, senior executives need a deep understanding of what employees value. And to thrive today, an organization must create a deeply supportive environment and culture in which employees feel motivated to stay, understand and support the strategy, learn and perform their roles, invest discretionary effort, promote the brand/organization, and go that extra mile for the customer. When the organization achieves this high level of engagement, employees behave in ways that are empathetic and responsive to customer needs, deliver zero-defects service, take responsibility for solving customer problems, and exceed customer expectations.

How do we get that extra effort out of our employees, to deliver memorable customer experiences? As with understanding the motivations of customer loyalty, a cause-and-effect model of employee engagement is highly beneficial (see Exhibit 4). It can help you discover the human resources management practices that will foster employee engagement and better enable your customer loyalty strategy to be successful. The model can also identify the

Exhibit 4.

Employees and the Brand Experience



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workplace issues that act as barriers to delivering your promise to customers.

Like the customer loyalty model, the employee causal model takes into account both the rational motivations and emotional motivations underlying employee engagement. Employees are more rationally motivated if they believe that leaving the organization would result in the loss of value—in the form of money, benefits, free time, career progression, and the like. Rational motivation is also higher when employees perceive incremental costs (money, time effort, and risk) from switching jobs, or feel they have too much already invested in the current position (sunk costs). Emotional motivation reflects the emotive and feelings bonds that connect the employee to the organization. Strong emotional motivation is a reflection that the person's work and job affiliation addresses such areas as his or her higher level needs for belonging, self-esteem, and self-actualization.

Senior management is tasked with internally communicating the meaning of the brand to (1) facilitate employee identification and involvement with the corporate identity and (2) focus employees on delivering the core brand values. Employees become willing brand ambassadors to the extent that they connect with the brand strategy, because it:

- was clearly articulated in a concrete and convincing way;
- is authentic and sincere;
- was effectively translated into the workplace;
- is consistently delivered throughout the organization;
- results in a strong external reputation;
- and is employee-oriented as well as customer-oriented.

Employees who connect with the brand strategy in these ways have a stronger rational and emotional motive for being engaged. On the rational side, there is greater assurance that the organization is on the right track toward establishing and maintaining competitive advantage. With that comes the potential for job longevity and greater economic rewards.

Likewise, if employees connect with the brand strategy, then this will activate their emotional motivation—because of its personal relevance.

The employee causal model considers the influence of various management practices in establishing the brand connection, activating rational motivation and emotional motivation, and driving employee engagement. Management practice areas can include senior leadership, employee communications, employee growth and development processes, and recognition and incentive systems. Identifying the strength of these influences can help senior management determine priorities that have the best likelihood of (1) producing gains in employee engagement and (2) delivering a superior customer experience.

By understanding what motivates your employees, you're able to initiate critical decisions, activities, and investments—which will lead to a work force that is more in tune with the strategy and more willing/able to add value to customer relationships. A group of motivated people, working together for a common cause, can achieve remarkable success.

Sustainable Competitive Advantage

Consistent delivery of the brand promise is difficult for competitors to replicate. The goal is to ensure that emotional drivers are built and leveraged through brand and touch-point management. To do this, we need to fully understand how what we do affects what customers do. And to guide our product and service strategy, human resources strategy, processes, and communications, we need to know how we influence the rational motivations and emotional motivations.

About the authors

Lawrence A. Crosby, Ph.D., Chief Loyalty Architect, Synovate Customer Experience, has more than 25 years' experience in strategic marketing and market research and works with major global companies to redefine and improve the use of customer research as a strategic, actionable management tool.

Sheree L. Johnson, formerly Synovate Loyalty's Global Director of Strategic Marketing, has more than 25 years of industry and consulting experience in marketing, sales, finance, information technology, strategy development, and planning. Sheree is also a frequent speaker on customer focused business strategies.

