Competing on Customer Experiences

Stowe Shoemaker

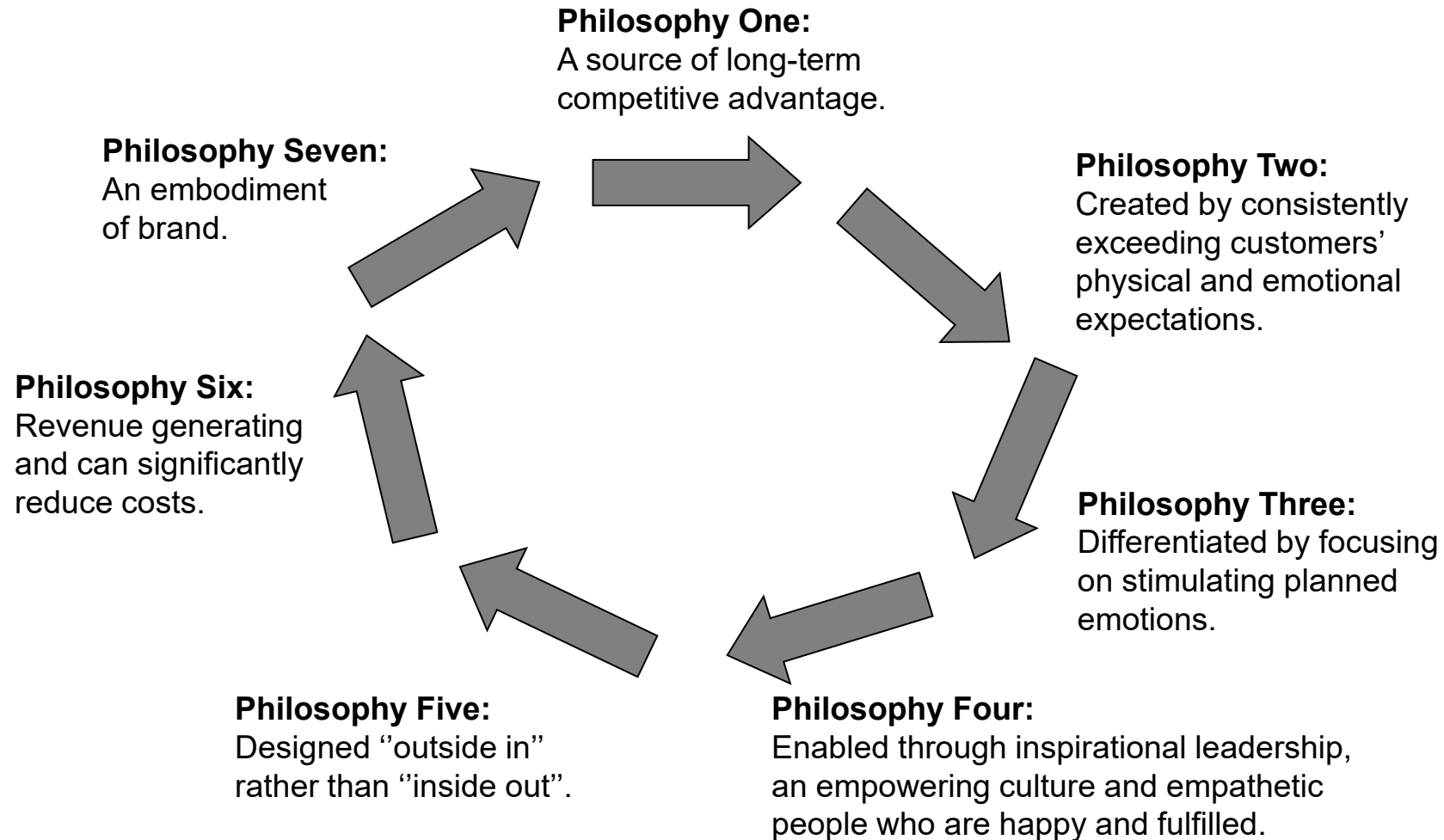Dean

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Definition of Customer Experience

- The customer experience is a blend of a company's physical performance and the emotions evoked, intuitively measured against customer expectations across all moments
  - Colin Shaw and John Ivens

The Seven Philosophies for Building Great Customer Experiences (from Shaw and Ivens)

Philosophy One:
A source of long-term competitive advantage.

Philosophy Two:
Created by consistently exceeding customers' physical and emotional expectations.

Philosophy Three:
Differentiated by focusing on stimulating planned emotions.

Philosophy Four:
Enabled through inspirational leadership, an empowering culture and empathetic people who are happy and fulfilled.

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Designed ''outside in'' rather than ''inside out''.

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Revenue generating and can significantly reduce costs.

Philosophy Seven:
An embodiment of brand.

Need to Understand How Consumer Buys Service

Each part of the purchase process is part of the experience

How the customer explained it
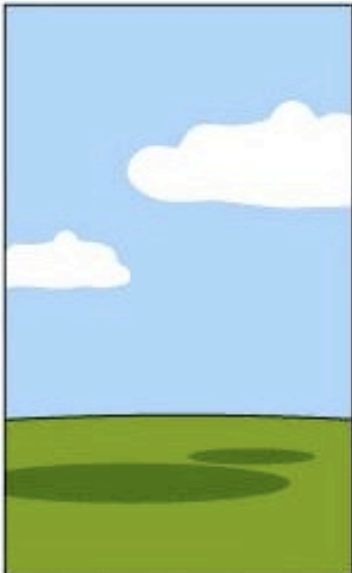
How the Project Leader understood it
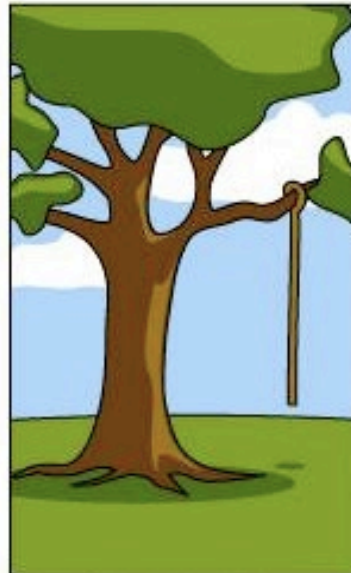
How the Analyst designed it

How the Programmer wrote it
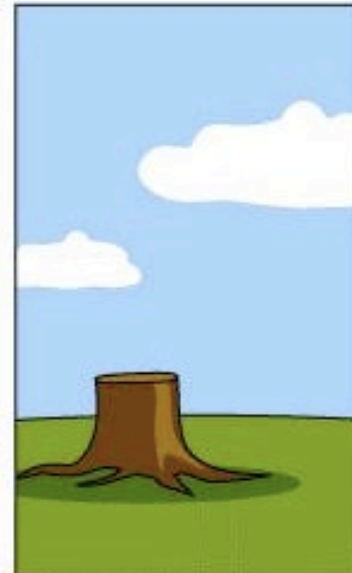
How the Business Consultant described it

How the project was documented

What operations installed

How the customer was billed
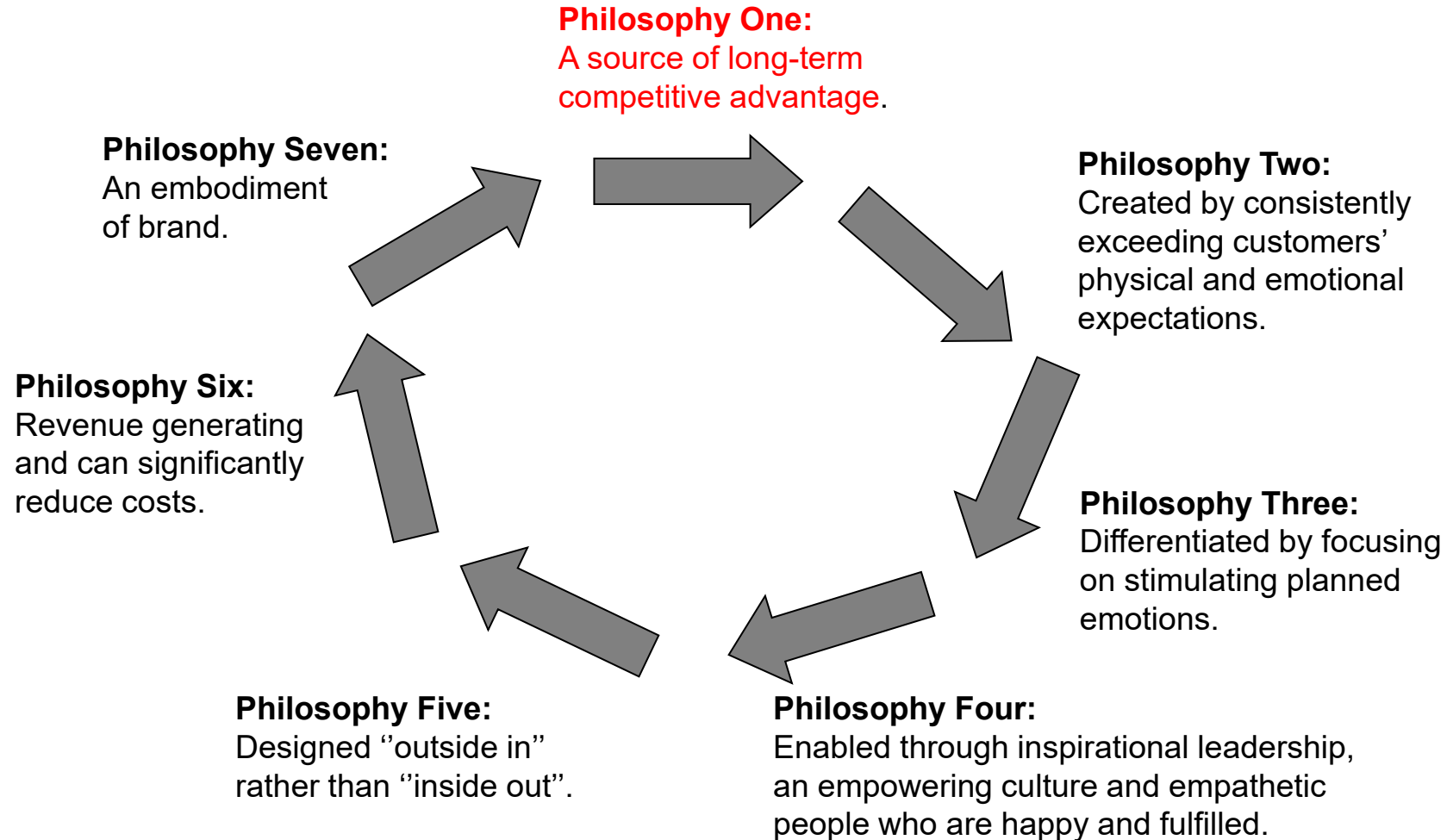
How it was supported

What the customer really needed

Solving Customers' Problems

- Customers have problems and need solutions
- Customers are attracted to product or service features
- Customers want to achieve a certain image, aspiration, or dream
- Customers don't always know what they want, but know what they don't want
- Customers do not know they have a problem but purchase anyway
- Customers have needs that warrant solutions that have costs; a trade-off situation

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Philosophy One: A source of long-term competitive advantage

Definition of Competitive Advantage

- Something that a firm has or does that allows the firm to earn higher than average profits, capture higher than average market share, and create a non level playing field;

- Gained by offering consumers something that they value that is currently not being given to them

Competitive Advantage

- **Distinctive competencies that lead to CA:**
    - Management knowledge
    - Culture
    - Location
    - Access to resources
    - Exceptional employees
    - Special patents
    - Access to capital
    - Brand name

Framework for Gaining a Competitive Advantage

	Superior Efficiency	Superior Quality	Superior Customer Responsiveness	Superior Innovation	Size
PRIMARY ACTIVITIES					Result of focusing on one of our building blocks; the one exception is loyalty programs. Proper use of such programs can build size.
Research and Development					
Manufacturing/Production					
Marketing and Sales					
Customer Service					
SUPPORT ACTIVITIES					
Materials Management					
Human Resources					
Information Systems and IT					
Infrastructure					

Hilton – Only the Customer Can:

- Tell us what's working and can choose us over other hotels.

- Answer the tough questions:
  - Are we doing things right?
  - Are we doing the right things?
  - Are we doing the right things right?"

Hilton - continued

- Huckestein defined two broad, new strategies

1. Pursue an aggressive growth plan to ensure that "a Hilton was always nearby"

2. Install a new performance management system to help standardize processes and deliver consistent quality across every Hilton property

Hilton – Value Drivers

- ## Operational effectiveness

  Efficiently Hilton hotels convert revenue into profit through hotel operations, processes, and procedures

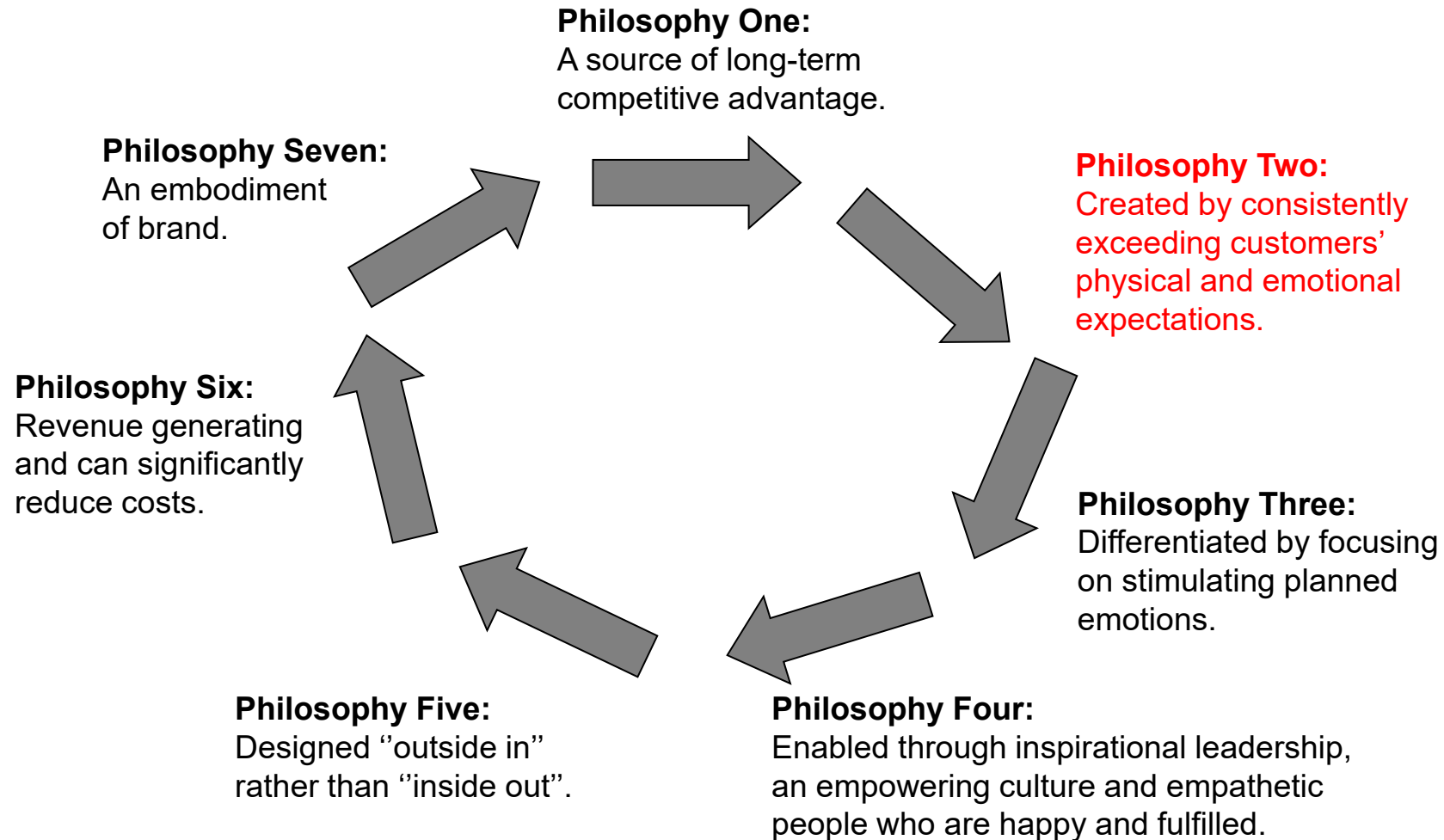- ## Revenue maximization

  REVPAR targets

- ## Value proposition

  How well managers create a service environment that increases repeat visits among guests and retention of key staff members

Hilton - continued

Operational Effectiveness	EBITDA
Revenue Maximization	RevPAR; RevPAR Index
Value Proposition	Overall guest satisfaction scores; overall guest loyalty score; overall staff satisfaction score; average quality score through mystery shopping
Brand Management	Score on compliance with brand standards from on-site inspections
Learning and growth of staff	Orientation training, skills training, diversity plan performance

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Gap Model of Service Quality

Performance > Expectation ☺

Performance = Expectation ☺

Performance < Expectation ☹

The Four Components of a Service (cont.)

Service Delivery
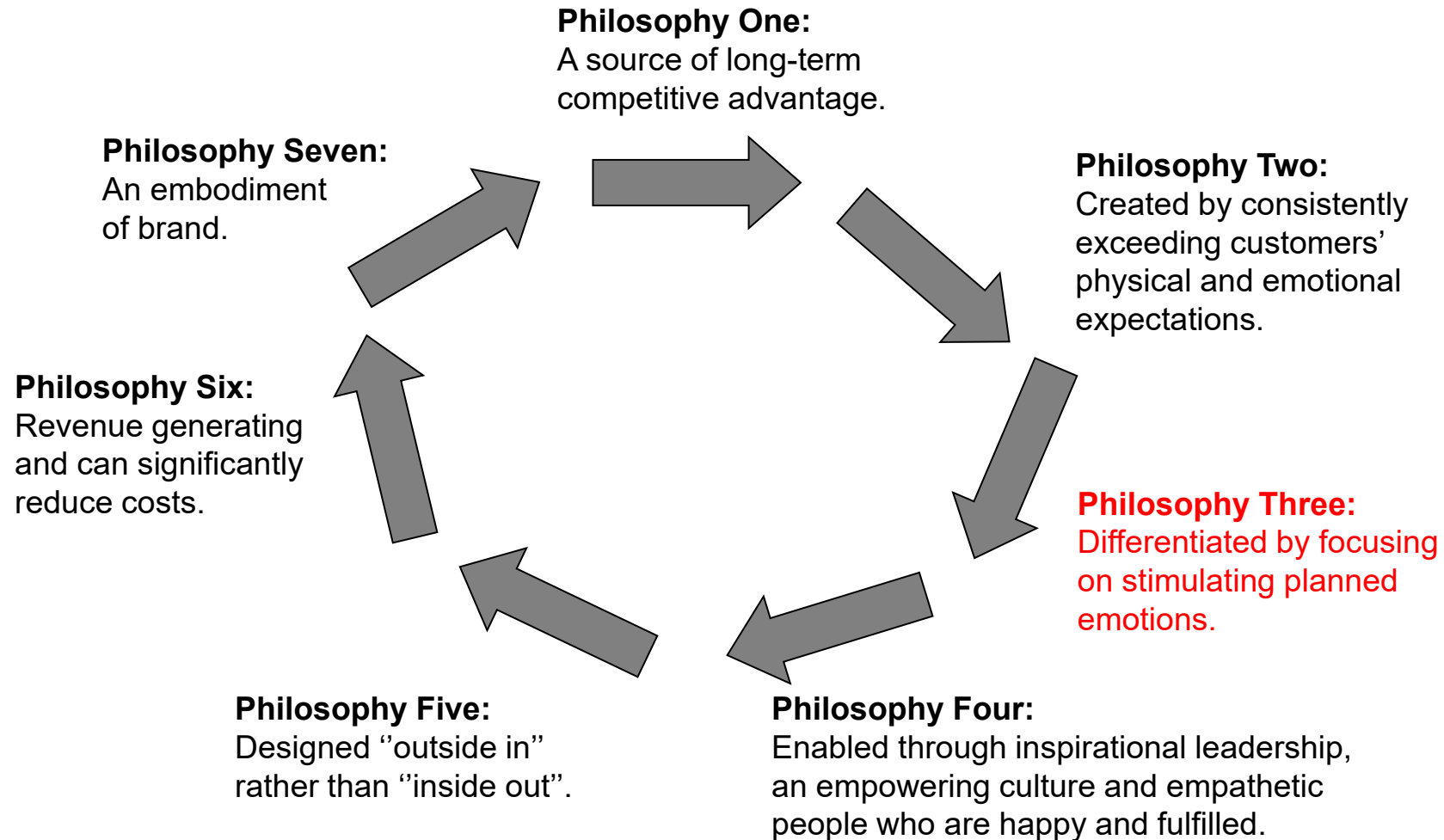
Service Product

Physical Product

Service Environment

- The physical backdrop that surrounds the service
- "Servicescape"
- 3 Elements: ambient conditions; spatial layout; and signs, symbols, & artifacts

Interrelationships of Components

Industry	Physical Product	Service Product	Service Environment	Service Delivery
Full-service 5-star restaurant	Food served	Plan for how order is to be taken by wait-staff	Use of pressed and starched table cloths and fine china and silverware	How the waiter actually takes the order
Casino	Game of roulette	Procedures for dealing the game	Atmospherics of the casino	Friendliness and competency of the dealer
Hotel	The firmness of the mattress	Procedures for turndown service	The colors and décor of the room	Attitude of service personnel

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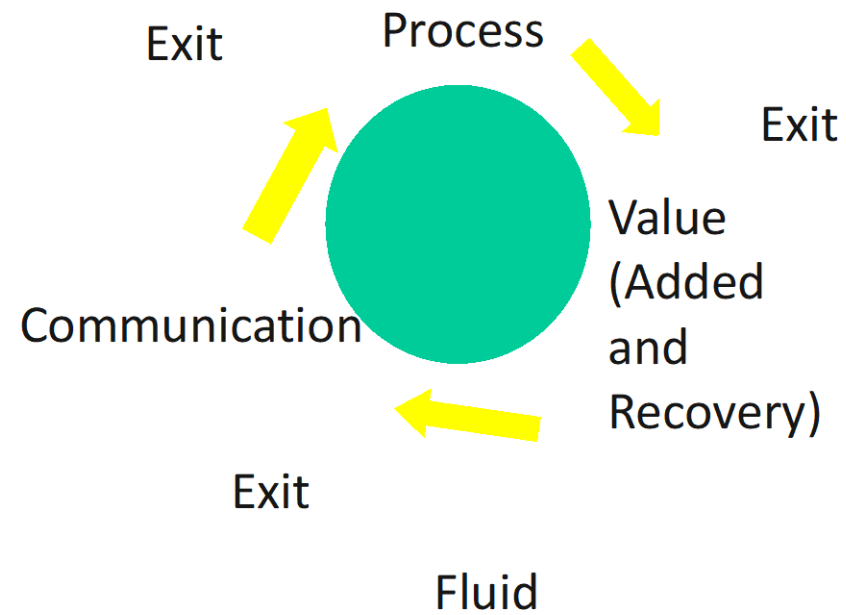
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Types of Emotions

- Admiration
- Adoration
- Aesthetic Appreciation
- Amusement
- Anxiety
- Awe
- Awkwardness
- Boredom
- Calmness
- Confusion
- Craving
- Disgust
- Empathetic pain

- Entrancement
- Envy
- Excitement
- Fear
- Horror
- Interest
- Joy
- Nostalgia
- Romance
- Sadness
- Satisfaction
- Sexual desire
- Sympathy
- Triumph

Creating Loyalty and Great Customer Service

The Loyalty Circle©

Exit

Process

Exit

Value (Added and Recovery)

Communication

Exit

Fluid

The Loyalty Circle - Process

- Process
  - How the service works. It involves all activities from both the guest's and firm's perspective. For the guest, the process includes everything that happens from the time they begin buying the service (e.g., calling to make a reservation) to the time that they leave the property (e.g., picking up the car from a valet.) All interactions with employees are part of this process.
  - For the event planner, the process includes all interactions between employees and guests, the design of the service operations, the hiring and training of service personnel, and the collection of information to understand customers' needs, wants, and expectations.
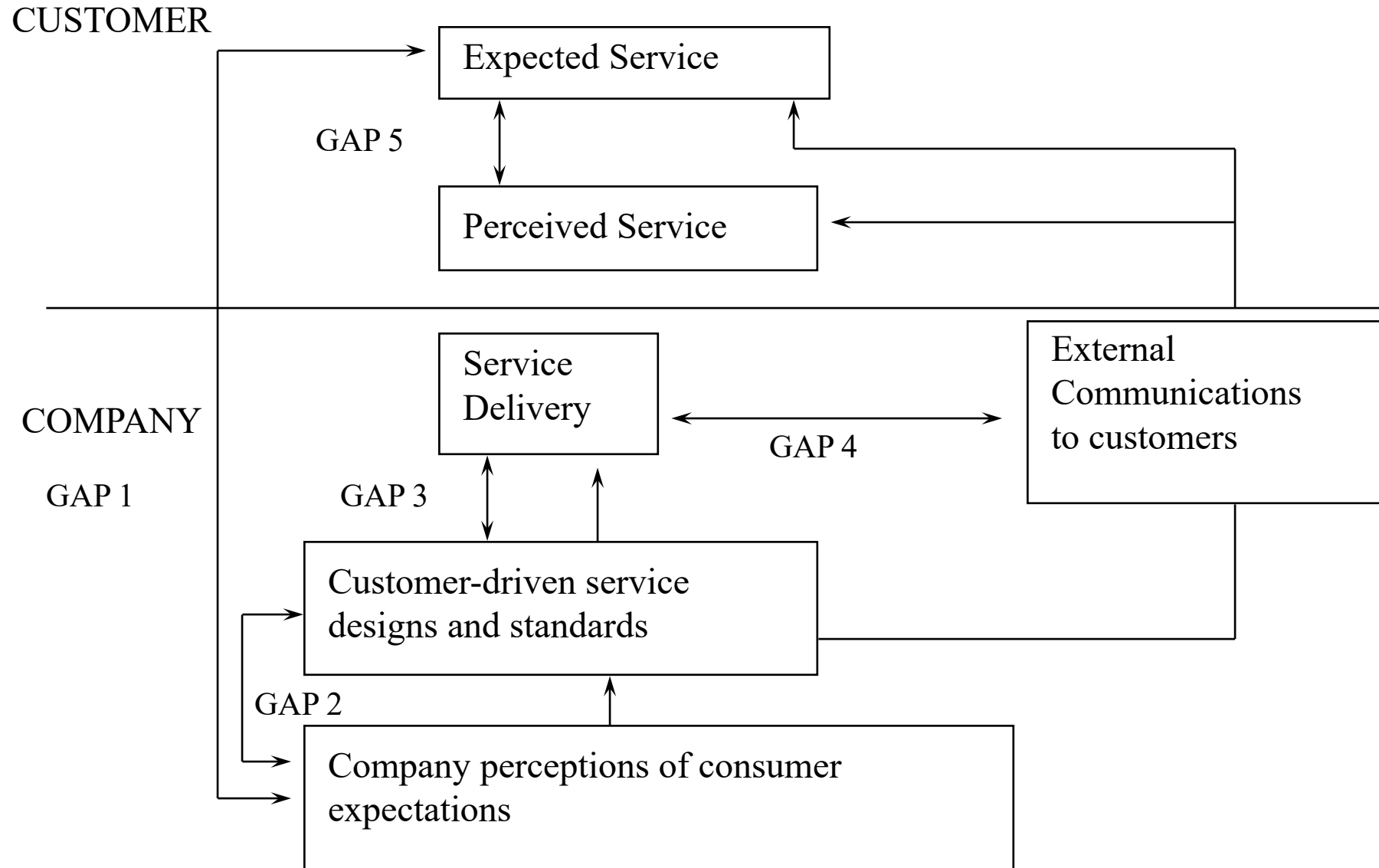
The Loyalty Circle - Value

- Value
  - ❖ Value is divided into two parts: value added and value recovery.
  1. Valued-added strategies increase loyalty by providing guests more than just the core product.
  2. Value-recovery strategies are designed to rectify a lapse in service delivery.

The Loyalty Circle - Communication

- Communication
  - This part of the circle incorporates database marketing, social media, newsletters, and general advertising. It involves all the ways in which a firm communicates with its customers and how customers not only communicate back to the firm, but how they communicate with their friends, family, co-workers, and the general public

GAPS Model of Service Quality

(from Zeithaml, A. Valerie and Mary Jo Bitner (1996). *Services Marketing*. New York: McGraw Hill p. 48.)

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Definition of Culture

- Character of a company's internal work climate and personality – as shaped by its
    - Core values
    - Beliefs
    - Business principles
    - Traditions
    - Ingrained behaviors
    - Style of operating

Creating Culture

- Stories
- Rites and Passages
- Rewards
- Symbols

Types of Negative Cultures (from Shaw and Ivens)

- Inside out culture
- Cost cutting culture
- Blame culture
- Bureaucratic culture
- Highly political culture
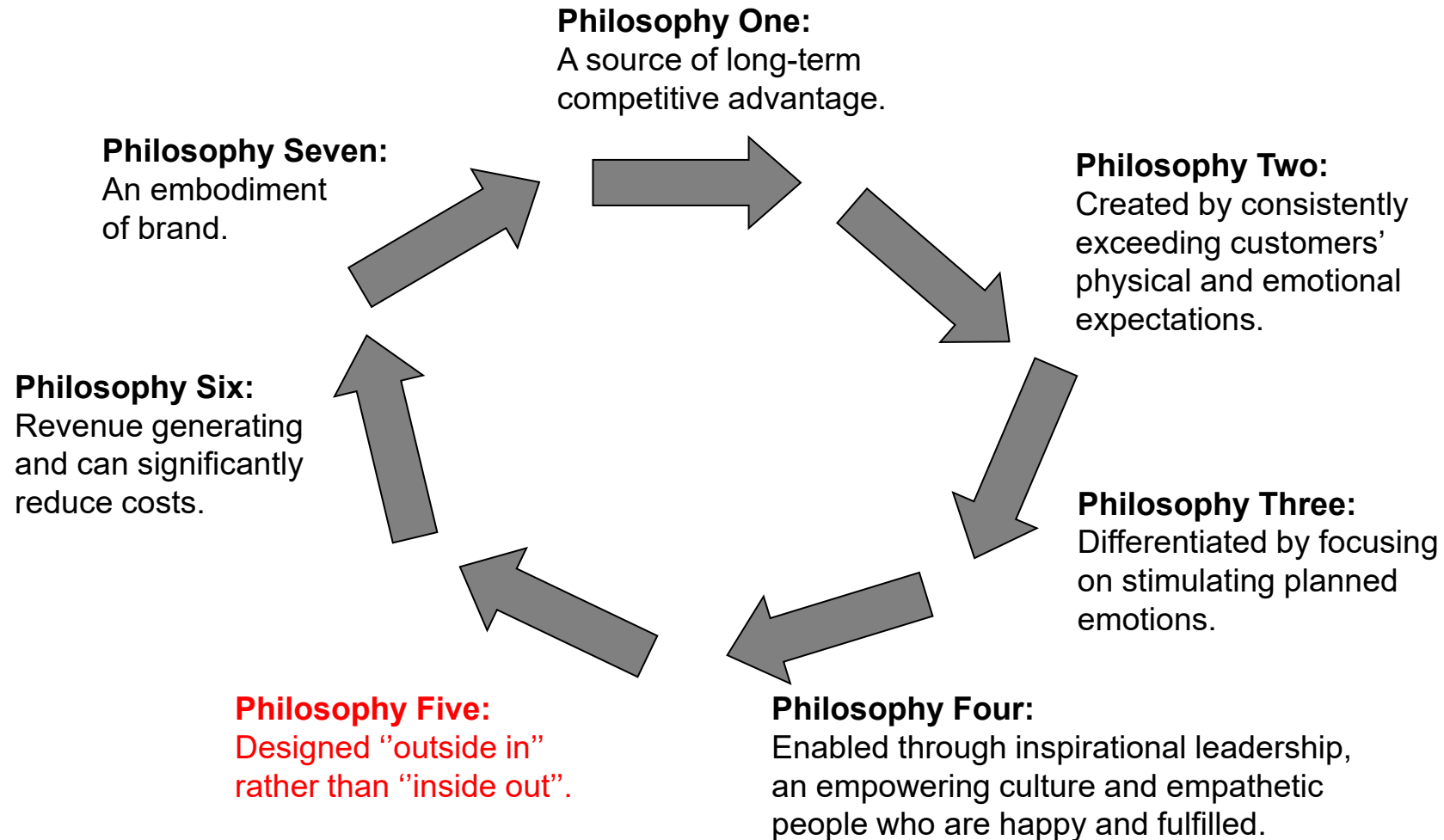- Dictator culture
- They culture

Types of Positive Cultures (from Shaw and Ivens)

- Outside in culture
- Empowered culture

Changing Culture

- Challenge the status quo with basic questions
- Tell stories to convey new values and connect the case for change
- Visibly praise and generously reward people who display newly acquired cultural norms
- Tie rewards to desired culture
- Recruit those that fit into new culture
- Replace key executives tied to the old culture
- Revise policies and procedures in ways that will help drive cultural change

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Critical Questions for Designing Outside In

- What is the value of a specific product feature and is the willingness to pay for it higher than its cost?

- Which product attributes have the biggest potential to increase the value?

- Where do I really increase value by increasing performance and which improvements are simply "nice to have"?

- Where would a reduction of performance lead to the smallest loss of value-to-customer?
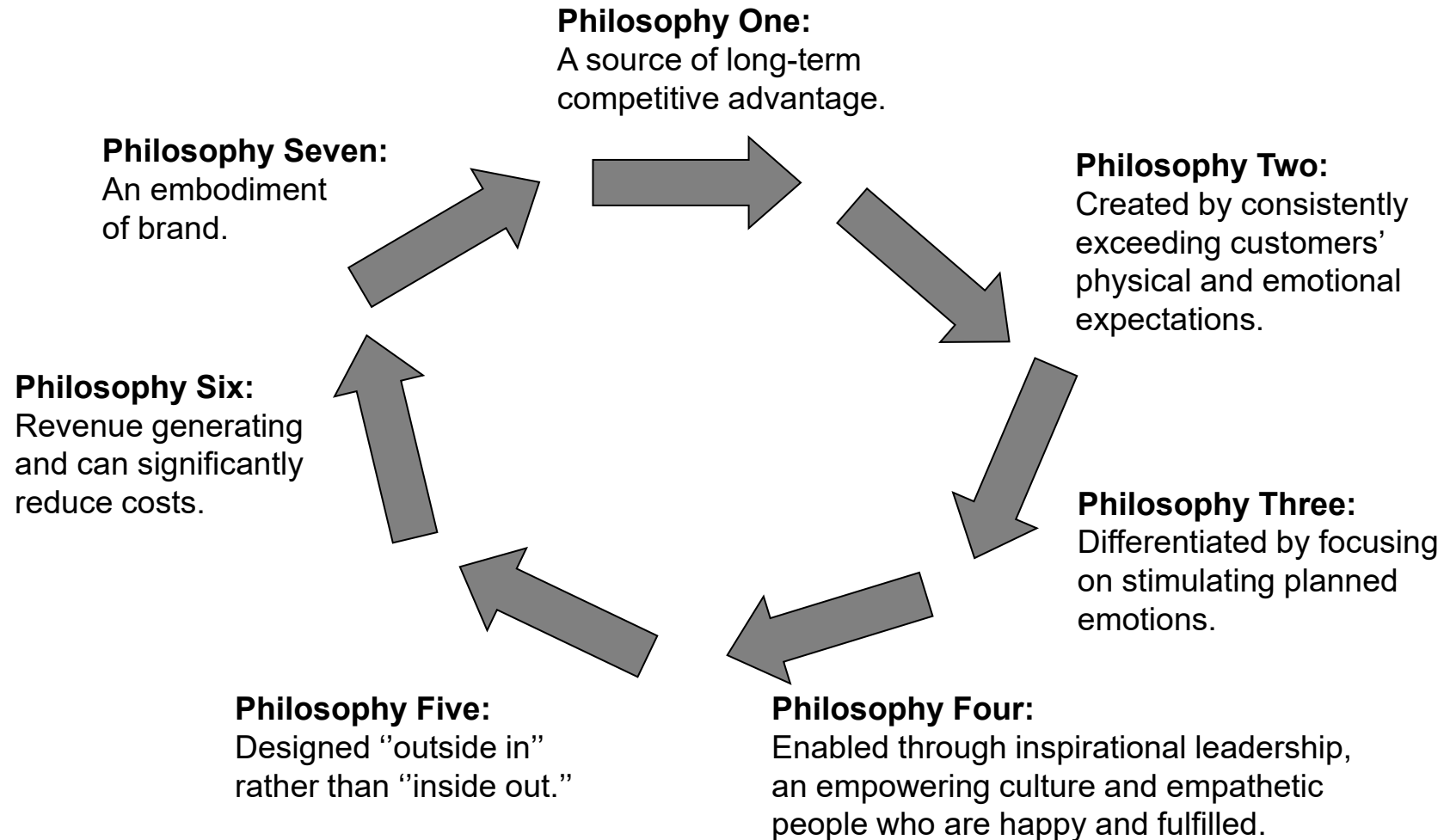
How To Use the Resulting Experience to Create Value

- Understand and critique the customer's experience
  - Understand their objectives in each scene: what did they hope or intent to accomplish, why or for what purpose
  - Discover imperfections in the customer's pursuit of these objectives
  - Analysis the imperfections in the customer's pursuit of these objectives
  - Invent an improved scenario

Key Elements

- ## High Value
  - meet expectations of the target group
  - have certain exclusiveness "stand out in a crowd"
  - high value relative to other benefits
- ## Perceived Value
  - Customer must see feature has value
- ## Customer's Point of View

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