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Customers Inside, Customers Outside

Designing and Succeeding With Enterprise Customer-Centricity Concepts, Practices, and Applications

Michael W. Lowenstein

business expert Press
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To Susan; to Joanna and Shari;
to all the grandkids; to my mentors;
to my professional and academic colleagues around the world;
and, in loving memory of Mom and Dad

Abstract

Back to the Future: The New Realities of Customer Centricity and Marketing, Forecast Five Decades Ago

Over the past several years, leading companies have entered a period of marketing and operational convergence, or intersection. During this time, those of us who actively follow, and consult in, such trends are witnessing significant multichannel media application (and resultant omnichannel application by consumers), along with more effective and pervasive customer data gathering, analysis, and application, a stronger enterprise-wide focus on customers, and recognition by senior executives that a dedicated high-level function, supported by a team and sufficient resources, is needed to lead and manage the customer experience.

One of my business heroes is direct marketing pioneer, adman Les Wunderman. In the late 1960s, speaking about the future of interactive media, customer relationships, and customer experiences, he predicted many of the realities and challenges we are seeing today. The past decade has brought profound changes to consumer decision making and approaches to customer experience and marketing. Significant advances in communication technology are, at the same time, impacting all marketers and enterprises and in a big way. Marketers have to adjust their budgeting, relationship building, omnichannel influence and personalization methods, "Big Data" generation, analytics, and microsegmentation—all while attempting to hit the moving target that is their continuously transitioning customer base.

These changes include:

- Mobile marketing, direct response design and execution—Though younger consumers have led the way, mobile communications methods are now a "must" for every marketer, as their targeting becomes hyper-local and hyper-timely.
- Emotional and relationship drivers, even in business-to-business (B2B)—It's no longer just about functional and rational elements of customer value. We're now seeing a return to, and greater emphasis on, neuromarketing.
- Accurate, real-world performance metrics—Customer satisfaction is an 1980s, minimally actionable measure, and

most loyalty indices, and metrics like NPS, CES, and other simplified scores have serious granular application challenges. Marketers must ask: What works? What monetizes?

- Downstream behavioral power of customer experience and brand reputation/image—Along with the recognized impact of customer experience touchpoints, company/brand equity and image are now as important in driving behavior as customer features.
- Customer collaboration, social dialogue, and content development—Today, customers have lower trust, and resulting reduced loyalty behavior, levels if they are not included in message, product, service, and process development.
- Testing, modeling, and analysis—In a simpler time, marketers were principally doing A/B message and content testing, if any testing was going on at all. Some companies still practice minimal testing, relying on conventional wisdom, and unwilling to stray beyond the basic; but the trend is toward greater accuracy coming from application of multivariate testing techniques, and the more actionable analyses this yields.
- Blending traditional and new marketing techniques for great effectiveness—While there is rightly lots of focus on the impact of online and mobile social media, and how it can be leveraged, offline informal communication remains the stronger driver of customer decision-making behavior. Like skilled chefs, marketers need to learn the combined art and science of blending established print and electronic media and messages with what is floating in the cloud, which will most resonate with consumers.

In addition, virtually every company in every B2B and business-to-consumer (B2C) sector is vulnerable to reputation attack and resulting business impact. As noted by Dr. Leslie Gaines-Ross, Chief Reputation Strategist for international public relations firm Weber Shandwick:

> *There is an increasingly critical connection between brand and service promise, corporate and brand reputation trustworthiness, the transactional experience (as delivered by people, processes, communications*

and culture), and downstream customer behavior. Any small ripple in reputation change (such as through a product-related issue, online rumor or executive miscue), brand performance or customer service can have a tsunami-like effect on business outcomes which may last indefinitely. This is especially true now because of the permanency provided by social media.

So, in the interest of building customer centricity, optimizing relationships, and delivering more positive results to marketing, operational, and communication efforts, all enterprises would be well-served to treat "trust," "trustability," and "trustworthiness" as a critical core emotional driver of downstream customer behavior, and to assure that confidence, represented by a positive image and reputation, is a major focus.

The developments in customer-centric marketing are incredibly important to all organizations, irrespective of size or industry. The goal of *Customers Inside, Customers Outside*, and the five key areas it covers—

- The customer-centric enterprise
- Customer and brand decision making and influence
- Customer behavior measurement
- Big customer data
- Customer strategy and tactics

—is to offer both perspectives and approaches for optimizing customer behavior, and building a more customer-focused culture, to keep pace with these sea of changes and rapid evolutions in customer decision making and customer experience dynamics.

Keywords

marketing, customer loyalty, customer centricity, customer experience, employee loyalty, employee ambassadorship, performance metrics, communication, corporate image and reputation, customer data, big data, chief customer officer, word-of-mouth, trust, brand, loyalty program, customer complaints, advertising, social media, leadership, relationships

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Preface

For a number of years, I have been posting customer-centric relationship marketing, culture, experience, communications, research, and brand trend subject blogs on the ***CustomerThink*** international portal. Much that is customer-centric in nature has been impacting organizations in the way they set up enterprise architecture, create customer experience, and communicate with the customer base and the larger world of consumers. Reflective of everything transpiring in the customer arena, almost in real time, the 12 (really 13, but who's counting?) inclusive months from August 2012 to August 2013 have been particularly active, with a baker's dozen of my blogs during this time selected as "Editor's Top 10 Picks" in the ***CustomerThink*** *Advisor Newsletter*. Many of the blogs have stimulated comment and further dialogue, and I'm extremely appreciative of the interest they have created. This compendium of close to 30 blogs is offered for your reference and application. Note that blogs selected as "Editor's Top 10 Picks" are identified with a **+** following the title. For added reader utility, I have prepared an overview at the beginning of each subject chapter and also offered observations, perspectives, and recommendations at the conclusion of each subject chapter.

For many organizations, the 2012–2013 inclusive period is truly a customer-centric year, and we've seen enterprise customer centricity become recognized as one of the most important cultural focus challenges and opportunities for any organization. This has been occurring both inside and outside of the enterprise, and so companies must be aware of them, and sensitive to changes in inside and outside dynamics. As an active blogger, addressing all things customer-centric, I've done my best to cover key inside and outside issues; and my pieces are divided into five subject areas.

Chapter 1. The Customer-Centric Enterprise

Topics: Evolution of the Chief Customer Officer role; the importance of experience optimization, trust, and customer partnering; leveraging service (including proactive complaint generation and resolution) and employee behavior.

Chapter 2. Customer and Brand Decision Making and Influence

Topics: Word-of-mouth and brand bonding trends; loyalty program effectiveness; emotional connection between customer and company, and importance of strengthening relationships.

Chapter 3. Customer Behavior Measurement

Topics: Identification of which performance metrics work (messaging, operations, experience elements, and so forth), and which have granular actionability shortcomings; application priorities.

Chapter 4. Big Customer Data

Topics: Applications for customer data streams; the leveraging value and required quality of customer data; analytical challenges.

Chapter 5. Customer Strategy and Tactics (Branding, Communications, and Relationships)

Topics: Building "outside" in customer bonding through experience management; conjoining offline and online advertising, promotional, and social messaging.

If knowledge—customer knowledge—is truly power (per Francis Bacon), then "knowing," that is, understanding the continually changing state of needs and expectations through investigation, and understanding, and acting on, the architectural and engineering responses that must also accommodate for them, is certainly more reflective of customer focus and true customer centricity. Fittingly, the late martial arts master and actor Bruce Lee wrote: "Knowledge is fixed in time, whereas knowing is continual. Understanding requires not just a moment of perception, but a continuous awareness, a state of inquiry without conclusion." Bottom line: As I'm relearning, and reinforcing earlier concepts of organizational effectiveness with customers, it has felt important to me to share key perspectives and lessons with others. That has been my principal motivation to write *Customers Inside, Customers Outside*.

Michael W. Lowenstein, PhD, CMC
September 2013

Introduction

When it comes to written content about the subject of organizational customer centricity, its culture and marketing applications, and the way(s) customers behave as a result, I'm an admitted "active saver" (distinction: not a hoarder) as well as a developer. Storage boxes of material in our basement, covering decades of research reports, articles, presentations, and white papers—my own and that of leading practitioners—are physical testimony to my saving ways.

Maybe it's a little delusional, but I always think that this treasure trove will be valuable for reference. It must be the writer in me. One of my several projects over the summer of 2013 (actually not my idea, but an assignment given to me by my wife) was going through these boxes and discarding whatever is dated and no longer useful.

As I went through this material—spanning at least 20 years of accumulation—over a number of weeks (at the rate of one or two boxes a week), my chief discovery with respect to customer centricity was that, while some things have changed, much remains the same. In building relationships with customers, organizations still tend to progress through several stages: (a) customer awareness, (b) customer sensitivity, (c) customer focus, and (d) customer obsession.

Here is the "executive summary" version of some conditions of each stage.

Customer Awareness

- Customers are known, but in the aggregate.
- An organization believes it can select its customers and understand their needs.
- Measurement of performance is rudimentary, if it exists at all; and customer data are siloed.

- Traditional, hierarchical, top-down management model, "chimneyed" or "smokestack" communication (goes up or down, but not horizontal) with little evidence of teaming.

Customer Sensitivity

- Customers are known, but still mostly in the aggregate.
- Customer service is somewhat more evident (though still viewed as a cost center), with a focus on complaint and problem resolution (but not proactive complaint generation); internal groups tend to point fingers and blame each other for negative customer issues.
- Measurement is mostly around customer attitudes and functional transactions, that is, satisfaction, with little awareness of emotional relationship drivers.
- Principally traditional, hierarchical, top-down management model, "chimneyed" or "smokestack" communication (goes up or down, but not horizontal) with some evidence of teaming (mostly in areas of complaint resolution).

Customer Focus

- Customers are both known and valued, down to the individual level, and they are recognized as having different needs, both functional and emotional.
- Customer life cycle is front-and-center; and performance measurement is much more about emotion and value drivers than satisfaction.
- Service and value provision is regarded as an enterprise priority; and customer stabilization and recovery are goals when problems or complaints arise.
- Communication and collaboration with customers, between employees, and between employees and customers is featured.
- Management model and style is considerably more horizontal, with greater emphasis on teaming to improve customer value processes.

It's notable that, at this more evolved and advanced stage of enterprise customer centricity, complaints are thought of more in terms of a life cycle component, and recovery is more of a strategy than resolution.

Customer Obsession

- Throughout the organization, customer needs and expectations—especially those that are emotional—are well understood, and response is appropriate (and often proactive).
- Everyone is involved in providing value to customers—from C-suite to frontline—and everyone understands his/her role. Customer behavior is recognized as essential to enterprise success, and optimal relationships are sought.
- Performance measurement is focused, and shared, on what most monetizes customer behavior (loyalty, emotion, and communication metrics such as brand bonding and advocacy, replacing satisfaction and recommendation).
- Customer service (along with pipelines and processes) is an enterprise priority, and seen as a vital, and profitable, element of value delivery.
- Management model is far more horizontal, replacing traditional hierarchy; and there is an emphasis on teaming, and inclusion of customers, to create or enhance value.

Companies that are customer-obsessed, and what makes them both unique and successful, have been extensively profiled by consultants and the business press. Often, they go so far as to create emotionally driven, engaged, and even branded experiences for their customers, strategically differentiating them from their peers.

Customer obsession, which I refer to as "inside-out" customer centricity, has been a frequent subject of my blogs and articles. One of Albert Einstein's iconic quotes reflects the complete dedication, of resources and values, needed for an organization to optimize its relationships with customers: "Only one who devotes himself to a cause with his whole strength and soul can be a true master." Mastery requires, as well, a storehouse of experience. Who knows what my basement cleaning assignment will next uncover?

CHAPTER 1

The Customer-Centric Enterprise

Management Overview

Creating, and sustaining, a truly customer-centric enterprise requires both focus and dedication in a number of key areas. Some are strategic, and some are tactical. They include process, messaging, and optimizing experiences. This section addresses concepts, priorities, and initiatives that can be applied in several of the most important areas.

Employees and Processes

Beyond employee engagement which, conceptually, is largely about alignment with, and commitment to, both the enterprise's goals and its value proposition, customer-centric organizations will want to focus on commitment to customers (understanding their needs, and performing in a manner which provides optimal experiences and relationships). So, with respect to hiring, training, and evaluating for motivation, cohesion, and productivity, the forward-looking and customer-centric enterprise will want to focus on employee ambassadorship. Ambassadorship has proven to leverage stronger staff loyalty and customer value. In addition, the benefit of employee research will be operationally enhanced by not only identifying drivers of employee satisfaction and engagement, but also determining what will create stronger and deeper levels of ambassadorship. As one critical product of ambassadorship, it has been proven that employee advocates have higher levels of loyalty to their organizations.

Strategic Customer Focus and "Roadmap"

Paraphrasing Lewis Carroll's Cheshire Cat in his advice to Alice, that is, "If you don't know where you're going, any road will get you there," the lesson for organizations is that a strategic orientation is needed in the design and execution of customer experiences. Additionally, value propositions should be well defined, and communication and marketing should be consistent. Finally, the customer-centric organization will have definite focus in product and service programs. In following this strategic customer-centric "roadmap," the organization must be able to have a tangible and emotional value proposition for customers. It must understand what customers want and identify how customers "learn" and make product and brand decisions. It must involve customers in product and service design, and also in development and messaging. It must have the culture, structure, and processes for truly valuing customers; and, as part of this orientation, employees must become ambassadors for the customers and the company's value proposition.

Role of the Chief Customer Officer

Companies endeavoring to become more customer-centric, or to sustain a customer-centric culture have, increasingly, entrusted the execution of optimal customer experience and relationships to a Chief Customer Officer, or CCO. Functioning at a senior corporate level, the CCO role is to define and lead delivery of the value proposition across the array of communication and transactional touchpoints. There are, arguably, five core areas of responsibility for the CCO:

- Customer experience and value optimization
- Customer insight, data, and action generation
- Customer relationship-building
- Customer journey management and life cycle strategic consultation
- Customer-centric culture leadership and liaison

CCOs will have backgrounds that include sales, service, strategy/innovation, customer experience, product development, and customer and brand research.

Building Trust for Stakeholders Within the Enterprise

Trust has become essential for organizations, both at the individual employee level and at the enterprise level. Trust is about being honest, keeping promises, building stakeholder partnerships, and creating a positive and memorable customer experience. It is shaped by executives and managers, who, hopefully, also contribute to its continuity as a living force within the organization. It is a foundation element in building and sustaining customer relationships, and in leveraging customer behavior.

Customer Partnering

Partnering is, as noted above, building stronger relationships between customers and the enterprise. It facilitates a deeper knowledge and understanding of customer needs, and is essential to building value for them and cementing the relationship. The concept of partnering has been practiced by organizations for hundreds of years, and has received much more emphasis since the beginning of the Total Quality movement. Bringing customers and channel partners into the center of the enterprise enables first-hand sharing of ideas, leading to innovation and stronger product and service value.

There are many variations to the concept of customer partnering. One actively cited in this section is Intuit, where "listening posts" have been set up around the company; and, customer interaction touchpoints represent opportunities for problem resolution and new product development. Intuit works with major financial institutions on a team basis.

In generating stronger customer partnerships, organizations should ask if they understand how their customers perceive advantage, solution, and benefit, how customers do business with them, what is known about competitive offerings, and what is unique (or can become unique) about the organization.

Addressing Customer Complaints, Part 1: Using Social Media to Protect Brand Equity and Customer Loyalty

Identifying the full range, or inventory, of customer complaints—and proactively, and positively, addressing and resolving them—is an extremely important element of managing value in the overall experience.

However, utilizing "complainer personas" for those posting negatives about their supplier transactions or relationships does not recognize the fact that online complaints are not representative of the overall customer base. Acknowledging that, though representing a small percentage of the customers, these negative postings can do a lot of reputation and purchase damage; identifying types of complainers and how to respond to them will have limited effectiveness. Resources should be deployed to address and mitigate the individual and collective impact of customer complaints.

Managing Customer Experiences

Executives believe, overwhelmingly, that improving customer experience is a major priority; however, only about one-third had begun customer experience initiatives, and fewer still considered their programs well along. Further, though these executives felt that having strong social media leverage was important for building relationships, a high percentage have no social or mobile programs to support sales or service. Though it is recognized that better customer experiences will build loyalty, much of the investment by organizations goes into advanced technologies rather than enhanced value through more personalization, omnichannel service access, and social media integration. A customer experience success model identified as superior is that of Metro Bank in London, where optimizing customer experience is embedded into the corporate DNA.

Addressing Customer Complaints, Part 2: Getting the Whole Picture

Even though product and service loyalty levels continue to decline, for an array of reasons unhappy customers will often take their business elsewhere rather than complain to a supplier. Because such a small percentage of customers with complaints actually express them, even in business-to-business (B2B), it's essential that organizations have a research and contact program to identify unexpressed complaints, as well as discern the level of perception with complaints addressed and resolved. Poorly resolved complaints are creators of risk and potential churn. Customers should be encouraged to make contact with questions or complaints, and they should be given sufficient contact channels. Root causes of all complaints, expressed and unexpressed, should be addressed and corrected. Having a full database of complaints facilitates both correction and stronger customer relationships.

Stakeholder Disengagement and Negativism

Organizational culture has the power to create both stakeholder advocacy and alienation, that is, positive and negative behavior, on its behalf. In the 1999 movie *Office Space*, clerk Milton Waddams is portrayed both as a disgruntled employee and a disgruntled customer. This reminds us that all stakeholders should be treated with fairness, inclusion, and respect—otherwise they can (and, as in Milton's case, absolutely will) burn down the company—figuratively and literally.

Employee Retention, Engagement, and Ambassadorship Go Hand-in-Hand-in-Hand At Successful Companies+ (September 5, 2013)

Nearly all companies are concerned about employee turnover; and, with the worldwide economy in recovery, it has become a priority. In some industries—notably retail, customer service, and hospitality—annual staff churn rates of 30–40% and more are not uncommon, and even—considered acceptable. While this situation may be a reality in many companies, it isn't a very sound strategy, and from multiple perspectives:

- The value employees can bring to customers is diminished
- The breakdown in customer–staff continuity and trust when employees leave
- The negative cultural effect of turnover on other employees
- The real "total cost" of losing employees, including hiring, training/coaching, productivity

So, retention has become a huge issue today. We should be concerned about it, of course; but we also need to focus on the degree to which employees who stay with a company are directly and indirectly contributing to *customer loyalty* behavior. Numerous studies have been conducted on elements of employee value, addressing reward and recognition, job fit, career opportunities, work environment, departmental and management relationships, and so forth. It is pretty much conventional wisdom that, during this period where there is great demand for exceptional talent, especially individuals who are diligent, innovative, and customer-focused, successful companies will also have loyal employees.

Twenty years ago, consulting organizations began moving away from employee satisfaction to employee engagement as a focus, on the theory that employees who were well trained, well compensated, aligned with the company's business goals, and involved in the organization's direction would be contributory and solid team players (Figure 1.1). That said, much of engagement research has not been able to prove (beyond incidental connection) that, while having happy and aligned staff is sufficient for somewhat higher levels of employee retention and productivity, engagement, in and of itself, only marginally contributes to optimum customer loyalty behavior.

One of the shortfalls too often seen in engagement, particularly as this type of research applies to optimizing customer experience, is that, even if employees are trained in brand image, this does not mean they will proactively deliver on the product or service value promise to customers or other stakeholders. Image needs to be integrated with building a culture of true, and even passionate, customer focus. In other words, the external brand promise has to be experienced by customers every time they interact with the company, especially its processes and its employees.

Figure 1.1. Employee engagement.

Can companies, through employee research and the insights this provides, learn how to prioritize initiatives which will generate optimum staff commitment to the company, to the brand value promise, and to the customers?

If employee satisfaction and employee engagement aren't specifically designed to meet this critical objective, and only tangentially correlate with customer behavior, can a single technique provide the means to do that? The answer to both questions is: Yes, through employee ambassadorship research. Employee ambassadorship has been specifically designed to both build on employee satisfaction and engagement and bring the customer into the equation, linking employee attitudes and actions to customer loyalty behavior.

Employee ambassadorship, or employee brand ambassadorship, has direct connections to—yet is distinctive from—both employee satisfaction and employee engagement. As a research framework, its overarching objective is to identify the most active and positive (and inactive and negative) level of employee commitment to the company's product and service value promise, to the company itself, and to optimizing the customer experience.

The ambassadorship thesis, with its component elements, can be displayed as in Figure 1.2.

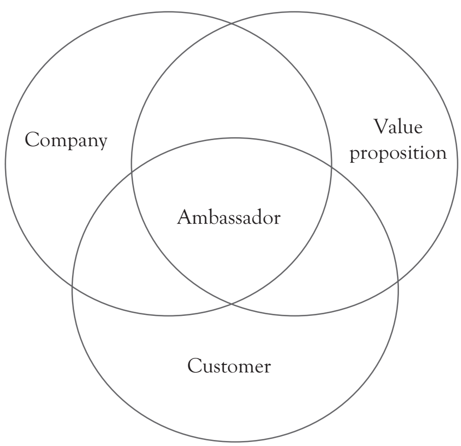


Figure 1.2. Employees who score high on commitment to the company, the value proposition, and the customer are considered ambassadors.

- **Commitment to company**—Commitment to, and being positive about, the company (through personal satisfaction, fulfillment, and an expression of pride), and to being a contributing, loyal, and fully aligned, member of the culture
- **Commitment to value proposition**—Commitment to, and alignment with, the mission and goals of the company, as expressed through perceived excellence (benefits and solutions) provided by products, services, or both
- **Commitment to customers**—Commitment to understanding customer needs, and to performing in a manner which provides customers with optimal experiences and relationships, as well as delivering the highest level of product, service value, or both

Ambassadorship is very definitely linked to the productivity and empowerment elements of employee satisfaction, engagement, and alignment research; however, it more closely parallels achievement of business results and value building because its emphasis is on strengthening customer bonds through direct and indirect employee interaction.

In addition to employee motivation, cohesion, productivity, and alignment with corporate values and culture, Human Resources (HR) is perhaps most interested and focused on learning how to increase staff loyalty.

Staff research (among thousands of adult employees, in almost 20 different industry sectors) identifies employee loyalty level through three specific metrics: rating of the organization as a place to work, likelihood to recommend the organization to friends or family members as a place to work, and level of felt loyalty to the organization. Overall, in a major study of staff ambassadorship, 18% of respondents exhibited high loyalty to their organizations, and 20% exhibited low loyalty; and, importantly, there were strong, almost polar opposite differences in organizational loyalty depending on whether an employee was categorized as an ambassador or saboteur, validating ambassadorship framework results (see Table 1.1).

These are definite "pay attention" findings for HR. It's a concern, of course, that almost 20% of employees have low organizational loyalty; however, it's an even greater challenge that there are three times the level

Table 1.1. Employee Loyalty* by Ambassador Group

	Total	Ambassador	Saboteur
Low	19.8%	0.0%	61.0%
Medium	61.9%	27.3%	38.5%
High	18.3%	72.7%	0.5%
Total	100.0%	100.0%	100.0%

*Comprises the three metrics used to calculate employee loyalty.

of potential staff turnover among saboteurs, who, before they depart, will undermine the performance and loyalty of other employees. This research provides very specific insights into why this is occurring. At the same time, the organization will be very well served to emulate the behaviors and attitudes of ambassadors through the rest of the culture.

Commitment to the company, in the form of loyalty and related attitudes and behaviors, is a fairly basic requirement for employee ambassadorship. Commitment to the value proposition and to the customer are parallel key elements of ambassadorship (which we will describe in future blogs), and our research has identified equally powerful results in these areas. What actions should companies be taking with insights such as these?

Here are several:

- Employees, at all levels and in all functions need to have a thorough understanding of what's important to customers so that their actions match customer expectations and requirements.
- Employees' behavior needs to be aligned around customer experiences.
- Management must build processes, technology, training, and organizational/cultural practices that support employees being able to optimize customer experience.

Perhaps most of all, companies should evaluate the effectiveness of rules and metrics associated with delivering customer value. For instance, how effective is the company, and employees, at unearthing and resolving unexpressed complaints which may be undermining customer loyalty?

How are non-financial metrics viewed relative to financial ones? What types of automated support processes exist, and how well are employees trained in them, to make serving customers easier? How does the company balance taking care of existing customers, particularly those who may be at risk of defection, with acquiring new ones? How much cross-functional collaboration exists in support of the customer?

For companies to create and sustain higher levels of employee ambassadorship, it's necessary to have customer and employee intelligence specifically designed to close gaps between customer experience, outmoded internal beliefs, and rudimentary support and training. It's also essential that the employee experience, especially vis-à-vis customers, be given as much emphasis as the customer experience. If ambassadorship is to flourish, there must be value, and a sense of shared purpose, for the employee as well as the company and customer—in the form of recognition, reward (financial and training), and career opportunities.

"If You Don't Know Where You're Going [with Customers], Any Road Will Get You There," Wisely Said the Cheshire Cat+ (July 20, 2013)

In paraphrasing Lewis Carroll's famous conversation between Alice and the Cheshire Cat in "Alice's Adventures in Wonderland," what I'm principally doing is calling out poorly designed and executed customer experiences, fuzzy value propositions, communication and marketing inconsistencies, unclear or nonexistent strategies, and an overall lack of focus too often evident in product and service programs.

Just as the Cheshire Cat asked Alice some important questions to help guide her way through a strange, unfamiliar land, here are some basic, critical marketing and channel questions for companies to consider in strategizing and managing the customer journey (Figure 1.3):

1. Can your essential tangible and emotional business, or value, proposition for customers (expressed in the customer's terms) be easily stated, that is, "Do you have a 'why' as well as a 'what'?"
2. Who are your customers, who are your best customers, and do they want what you make available, that is, "Do you have a process for

Figure 1.3. Companies should consider some basic, critical marketing and channel questions in strategizing and managing the customer journey.

identifying, and analyzing, the reasons customers buy, or don't buy, what you offer?"

3. How do your customers "learn" and make decisions, that is, "Where do they get product and brand information, how do they process and share it, and is it personalized for their specific requirements and needs?"
4. Are your customers involved in all phases of product, service, brand, communication, and marketing development, that is, "How much, and how well, do customers participate in the conversation, and partner and co-create on all elements of value and messaging?"
5. Do employees, irrespective of level or function within the enterprise, help you deliver perceived brand, product, and service benefit, that is, "Do customers see employees as ambassadors or saboteurs?"
6. Does the business—and everyone in it—have a passion, and sets of processes, for truly valuing, respecting, and cherishing its customers (and employees), that is, "Do you have a customer-centric culture?"

As a strategic, customer-focused marketer, the Cheshire Cat is a pretty reasonable and fundamentally logical character, even if the customer behavior realm in which he exists often is not: "You just go where your high-top sneakers sneak, and don't forget to use your head." Living in Wonderland, the Cheshire Cat understands the value of good planning, and getting intelligent answers to essential value proposition and brand equity questions; and he also appreciates the beneficial, and often elusive, forming and executing of customer strategies. As he notes: "Only a few find the way, some don't recognize it when they do—some...don't ever want to."

Occasionally, just like in the Cheshire Cat's mythical world, marketing, brand building, and experience programs can seem to vanish altogether, at least insofar as customers are concerned. The challenge for enterprises is to make sure that there is an end goal, or strategic set of value objectives, always in sight and mind for all stakeholders, and that everyone understands it. Remember how easy it is to stray off the right path, recognizing, as the Cheshire Cat sagely quoted: "Oh, you can't help that. We're all mad here."

The Evolving Chief Customer Officer: Identifying Value, Authority, Scope, Responsibilities, and Strategic Direction Within the Enterprise+ (July 13, 2013)

In the past decade, we've seen the number of companies with an individual in the role of CCO—nicely defined by Wikipedia as "the executive responsible for the total relationship with an organization's customers"—grow from under 100 to thousands today. Reflective of the escalating focus on customer data, experiences, and relationships across all methods of communication and access, the role is rapidly evolving and morphing; however, there is general agreement regarding its significance in building and sustaining true enterprise customer centricity.

The Chief Customer Officer Council has determined that the CCO role, in part because its requirements, authority, and scope are being constantly reworked almost in real time, has the shortest life span of any senior executive, with an average tenure of less than 29 months. While colleagues such as Jeanne Bliss, Tony Zambito, Maz Iqbal, and Bob Thompson, and consulting organizations such as Forrester, Aberdeen, and Strativity, have done much to flesh out the customer-centric contributions and responsibilities of a corporate CCO, what is becoming recognized is that the function requires greater education, understanding, and awareness of its benefits among C-suite executives.

In studies, articles and reports addressing how organizations build customer focus and customer passion, Forrester has identified that the CCO, serving at a senior corporate level, has (as reported by Paul Hagen of Forrester on the HBR Blog Network) "…the mandate and power to design, orchestrate, and improve customer experiences across the ever-more-complex range of customer interactions." The function now exists in companies as varied as Dunkin' Brands, USAA, Philips Electronics, FedEx, The Cleveland Clinic, Allstate, and SAP. And, where there is a CCO in place and working with other C-suite executives, the authority and scope associated with the position has direct influence over corporate customer experience priorities and application of resources.

Five Core Areas of Functional Responsibility

From my perspective, there are five core areas that identify the operating functional landscape, and contribution potential, represented by an effective CCO. They are as follows:

Customer Experience and Value Optimization

Studies by Strativity, and other consulting organizations, among corporate executives have identified the financial benefits of increasing customer experience management (CEM) related resources. For many companies, the brand-appropriate customer experience spans across multiple channels and touchpoints, and it can involve internal groups such as information technology (IT), sales, marketing, operations, customer support, new product or service development, and product management. Corporate reputation and image, and brand equity, also come into play; but, it is experience, and the resulting perceived value, which is the single biggest driving component of customer behavior.

For the CCO, broad background in customer experience optimization transcends the brand-building focus of marketing (the Chief Marketing Officer's [CMO's] role) or IT/operations (frequently the Chief Information Officer's [CIO's] role). CCOs must understand marketing, brand perceptions, and operations, of course, but their principal goal should be to deepen relationships, establish greater levels of trust, and build stronger customer loyalty behavior.

Customer Insight, Data, and Action Generation

Today, businesses are able to measure their activities, impact of customer experiences, and customer relationship with unprecedented precision. Many are actively collecting Voice of Customer (VOC) data through surveys, feedback management, analytics, and market research relating to customer retention, loyalty, brand equity, and satisfaction. As a result, they are able to create enormous streams and bases of data—known, collectively, as "big data."

With the growth of the digital economy, where clickstream data and content are available through mobile communication channels, real-time insights into consumer behavior (through semi-structured and unstructured information) can be readily provided; and information management software and predictive analytics are available for virtually any enterprise. This is then combined, or integrated, with qualitative and quantitative customer research (in other words, it is not possible to gain a complete MRI of customer behavior without tactical and strategic research), especially in areas of customer need and behavioral segmentation.

Customer-related decision making is now knowledge-based, replacing intuition and guesswork. It is the CCO who leads, and is the focal point, in collecting information from inside and outside of the company, integrating and analyzing it for trends and clues, developing actionable results (such as identifying patterns of customer behavior), and, in a collaborative way, leveraging this material to improve experience performance and customer value.

Building insight, supportive data, and action which impacts customer behavior also involves inclusion and periodic debriefing of employees, for alignment and support of corporate customer-related initiatives.[1]

Customer Relationship Building

In this omnichannel world, maintaining proactive and positive relationships with customers, throughout the life cycle, is a key component of the CCO's role within the enterprise. CCOs, in other words, need to be able to align and innovate engagement and relationship strategies. This requires a knowledge of, and facility with, the insights and metrics associated with perceived brand equity, and customer communication and experience as well. As noted, building and reinforcing trust, which leads to integrity and a strong relationship, is the goal here.

Relationship building, incidentally, also includes active involvement of employees in all customer-related initiatives, building the level of ambassadorship and contribution.[2] There's proven strong financial linkage between customer behavior and employee interaction and loyalty. Beyond just understanding employee satisfaction and what employees value and desire in their jobs, it is essential that companies have a research and analysis method which correlates staff performance to customer actions so that they can create project teams, and hire, train, recognize, and reward employees for how they contribute to customer value.

Employees are at least as important as other aspects of customer management in optimizing benefits for customers, and they frequently represent the difference between positive experiences or negative experiences, and whether customers stay or go. As research into this effect concludes with regularity, employee attitudes and actions, especially around customer commitment and engagement, and championing a company's products or services, can't be separated from the effective delivery of customer value. So, another skill set component of the CCO should be to both engage employees in customer-related programs, and effectively form and lead cross-functional project teams.

Customer Journey Management and Life Cycle Strategic Consultation

Organizations need to understand how elements of the customer experience journey, and the journey in totality, impact downstream customer behavior (including informal word-of-mouth). This is another key role and function of the CCO.

Further, the CCO's operating parameters will include the complete span of a customer's life. Just as relatively few companies have developed algorithms and processes for estimating lifetime customer revenue value, so also few companies truly comprehend how experience management programs have to be modified depending on the customer's life stage. In their role, CCOs will see experience management as never-ending processes that embrace mutually beneficial and value-producing relationships for all customers, that is, past, present, and potential, and internal, intermediate, and external, creating not only enticements to become customers, but also barriers to exit or churn.

As we see them (and as fully described in *Customer WinBack*, a book co-authored with my colleague Jill Griffin), there are three major phases of a complete customer life cycle: Targeting/Acquisition, Retention/Loyalty, and Lost/Won-Back. And, though there is a great deal of flex in these phases (depending upon the type of business involved), adeptly managing customer value over the life cycle is a major responsibility of the CCO. The customer, and the customer's loyalty, can never be taken for granted—a fact well understood, and driven into the organizational DNA, by the CCO.

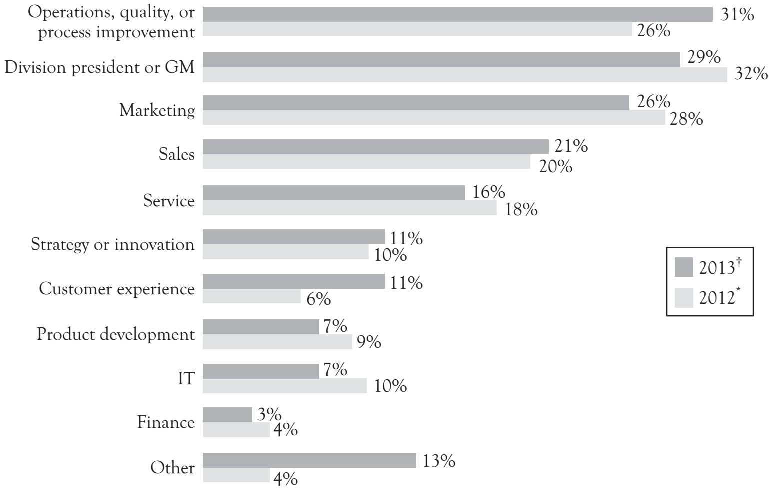
Customer-Centric Culture Leadership and Liaison

The cultural role and senior-level influence of the CCO is continuing to crystallize, but is already extremely important. If an enterprise is going to have the right message to the right customer in the right medium at the right time, then for creating a top level of touchpoint experiences—and doing it profitably with the right organizational structure, with the right mindset—everything begins with data and ends with insight and action.

The continuing goal is to build and sustain (and repair, when needed) rock-solid relationships with customers and to make employees, at all levels and in all functions, ambassadors for delivering value. And, it needs to be accomplished in a financially feasible and responsible way. All of this is planned and directed by the CCO.

The Emerging CCO Skill Set

According to Forrester research (as recently reported by Bob Thompson), holders of the CCO position have rather diverse, and even fairly eclectic, backgrounds (Figure 1.4). Almost 90% come, in a pretty evenly distributed way, from operations/quality/process improvement, divisional



*Base: 139 randomly selected people from the 550 people identified through interviews, news announcements, Google searches, and Hoover's searches

†Base: 147 randomly selected people from the 730 people identified through interviews, news announcements, Google searches, and Hoover's searches (multiple responses accepted)

Figure 1.4. Chief Customer Officers have diverse backgrounds.

Source: Forrester research interviews, news announcements, Google searches, and Hoover's searches.

senior leadership, or marketing; however, experience in sales, service, strategy/innovation, customer experience, product development, customer and brand research, and IT is also well represented. Ideally, the successful CCO can bring, and synergistically blend, many of the capabilities inherent in these varied functions.

One survival factor that is, or will become, common to the continuity, scope, and authority of the CCO is the ability to demonstrate direct impact on revenue—acquiring attractive new customers, driving customer loyalty behavior throughout the life cycle (including reduced churn and more proactive complaint management), and lowering customer management costs. From the organizational side, and again quoting Paul Hagen, what C-suite executives should do to make the CCO position optimally effective is establish "*…a strategic mandate to differentiate based on customer experience, a portfolio of successful projects that create buy-in and a cultural maturity in the organization, and a uniform understanding on the executive management team for what the position can accomplish.*"

The Behavioral Impact of Trust: Peppers and Rogers on Trustable Companies, via Charles H. Green (June 30, 2013)

In my recent blog discussing the importance and leveraging value of trust, between individual stakeholders, between stakeholder groups within organizations, and between enterprises and stakeholders,[3] I cited content I've seen on this subject by Don Peppers. I thought it would be useful to expand on that reference. For those who are interested (and I hope that is a lot of *CustomerThink* blog readers), please take a look at this 2010 interview by my colleague, Charles H. Green, noted consultant on enterprise and individual trust building and co-author of *The Trust Advisor*.[4]

Jeanne Bliss has also written frequently about various elements of enterprise trust-keeping promises, building partnerships among stakeholders, minimizing "rules," creating a positive, holistic, memorable customer experience, proactively apologizing for mistakes, and so forth.[5]

My perspective on trust is pretty straightforward: Technology has created a world where we are witnessing, in real time, both the amount, and impact, of offline and online informal brand-related communication. Negativism in this context has the power to impair, even cripple, any brand or enterprise, both tactically and in strategic ways.

In trust research conducted by public relations (PR) firm Weber Shandwick, under the direction of Leslie Gaines-Ross, Chief Reputation Strategist, it was found that 70% of consumers surveyed avoid buying an organization's product if they do not like the company making or selling it. For the financial and reputation realities of trust, just look at Global Crossing, Enron, British Petroleum, Toyota, Carnival Cruise Line—and, more recently, public figures like Lance Armstrong, David Petraeus, and Paula Deen, who have seen lucrative endorsements vanish.[6]

What Jeanne, Don, Martha, and Charles Green are addressing is how an enterprise, or an individual representing an enterprise, needs to be trustable in the extreme, that is, customer-focused, proactive, transparent, fair, and honest. Trust is a foundation element in building and sustaining customer relationships, and in driving strategic customer loyalty behavior.

In 2010, Peppers and Rogers saw creating trustability as the "next big thing." It was, is, and will continue to be.

Customer Partnering: Proactive, Vital, Winning CEM (May 31, 2013)

In his thoughtful and incisive 1996 book, *Customers Mean Business*,[7] James Unruh, former chairman and Chief Executive Officer (CEO) of Unisys Corporation, said: "…partnering with customers promotes a deeper understanding of customer concerns and of areas for improvement. Partnering relationships can create a seamless interface between an organization and its customers."

Those are profound words; and, almost 20 years after the book was published, this continues to be a significant, and even basic, concept for any company endeavoring to create an optimal level of customer loyalty behavior for itself. Smart and evolved companies create value in partnership with customers (Figure 1.5), and value is as likely to come from people and information/content as it is from products and services. If companies practice new ideas, such as "creating interdependence" and "building equity" with their customers, they are strategically differentiating themselves from competitors. They are also creating "barriers to exit," making it more difficult for their customers to leave and begin a relationship with a new supplier.

The idea of customer partnership is not new. Japanese businesses have used similar techniques for decades in process design and redesign. With the increase in customer focus, partnering has taken on added dimension

Figure 1.5. Smart and evolved companies create value in partnership with customers.

in recent years. Companies like Chrysler actively use customers to help in the design of new vehicles. Southwest Airlines includes customers on teams involved in staff hiring. Preston Trucking, headquartered in Maryland's eastern shore, has a Quality College, adapted from Japanese concepts, where customers, non-customers, and Preston staff have a forum to evaluate operating methods. Companies like John Deere send staff to customers' sites to learn, first-hand, how their products are being used and where better support can be provided. They return from these visits with customer-sensitized insight which is applied to many areas of process improvement.

Some sales types may view partnering as just another word for bonding, or establishing closer relationships with customers. It's considerably more than that. In many customer–supplier relationships, the interactions can be somewhat adversarial, with one side winning or losing the bargaining war to get the best deal for themselves. Partnering requires rethinking this type of relationship, and focusing on mutual investment and the potential for mutual benefit, in other words, creating "win–win" situations.

Several years ago, the new vice president of AT&T's NCS group saw significant declines in their business. NCS is the division that services all of AT&T's computers and local area networks. This is not a captive service business, because the NCS customers have the right to go outside, self-maintain their equipment, or use NCS. NCS had been conducting customer satisfaction research, but the vice president discovered that almost one-third of the customers who reported being satisfied were potential defectors.

The vice president saw that he would have to go beyond understanding the customers' needs and hoping that that level of insight would help create loyalty to NCS. Out of this recognition came a unique approach to customers, where they were encouraged to accept part of the responsibility for creating value and benefit for themselves while NCS accepted the remainder of the responsibility. Having created it, NCS then set about training its management and customer service staff to execute partnership arrangements and affiliations with customers. This new approach was a very different, unique, form of customer–supplier relationship for many of NCS's customers, and it helped to strategically differentiate NCS.

After the first 6 months of applying partnership agreements to its customer relationships, the division's revenues were up 20% and its profits were up 35%. Over the next 6 months, revenues increased to 26%, positive staff perception of dedication and customer focus increased to 85%, and new business soared by 600%.

Another excellent example of customer partnering by an American company is Intuit, Inc., creator of Quicken software for personal financial management, QuickBooks for business financial management, and TurboTax for tax computation. Several years ago, Scott Cook, Intuit's founder, said:

> *Unwavering customer focus, that is exactly what we do at Intuit. We have well over 5 million customer contacts per year, whether on customer support phone calls or through our web site. Our research programs, beta tests, and usability labs put us in touch with thousands more every year to get their input and make our products better.*

Intuit has set up "listening posts" around their company, wherever there is a customer interaction touchpoint—engineering, customer service, and technical support—to capture the voice of the customer. They use these contact points to learn about what customers want and then they apply the information to problem resolution and new product development. This may not seem innovative to some companies, but Intuit has raised partnering to a high art.

For Intuit, partnering doesn't stop with customers. It extends to employees and strategic allies, as well. Their corporate culture is highly entrepreneurial, enabling staff to be creative and spontaneous, and highly mobile. They feel it's important that senior managers be flexible and understand the entire business, so training and cross-functionalism are actively practiced. Scott Cook tells the story about suggestions for Quicken a prospective product manager made during the interview process. Two hours later, the prospect stopped back to visit the interviewer. He saw that his ideas were already being applied to a prototype on the computer screen. It's an example of how Intuit listens to, and actively involves, its employees.

Intuit maintains partnership relations with financial institutions around the world: American Express, Chase Manhattan, Citibank, J. P. Morgan, Banque Nationale du Canada, Wells Fargo, E*Trade, Charles

Schwab, Fidelity, and American Century, to name just a few. Intuit works with its business partners on a team basis, seeking solutions where its partners, customers, and Intuit all benefit. One example of this has been the Quicken Tax Freedom Project, which enables millions of lower income Americans to do online tax preparation and electronic filing with the Internal Revenue Service, a benefit to all parties involved.

Another partnership development has been to connect banking partners with their customers, giving bank customers the ability to conduct their banking and pay bills online using Intuit products. When this was originally written, Intuit had over one million customers using their products online; and they were working with 80% of the largest financial institutions in the United States of America, representing over 50% of our country's checking accounts.

A company, in seeking to develop stronger partnership with its customers, should ask several questions:

- How do my customers perceive advantage, solution, and benefit—in other words, value—when selecting a supplier? What are the tangible and intangible elements of that value? These can include technical capability, customer service, prices, product/service variety, integrity and reputation, geographical location, delivery timeliness, product conformance and quality, and many other factors. Also, what are my strengths and weaknesses regarding processes, staff, structure, strategy, culture, and so forth?
- How do my customers do business with me? What are the dynamics of their supplier decision-making process? Do I understand how choices, such as share of dollar allocations, are made? What complaints, expressed and hidden, do my customers have about my company?
- What do I know about the competition—who they are, the benefits my customers perceive from them, their ability to partner with my customers more effectively than I can? How can I position my company, and communicate and provide benefit, in a non-copycat manner?

- What is unique and special about my company? What original positioning do I have, or can I create, that would make my best customers want to partner with me? What, if any, operational and relationship modifications do I have to make to achieve partnership?

Partnership is a beginning and basic strategy, and perhaps a new (but fundamental) strategic approach for many companies with their customers. Like any effective loyalty behavior program, it will work best if enacted for the long term.

Addressing Customer Complaints: Truth—or Consequences—of Using Social Media to Help Protect Brand Equity and Customer Loyalty (March 20, 2013)

A recent *MarketingProfs* article by Susan Marshall[8] did a nice job of bringing to light the serious issue of expressed and unexpressed complaints. But, though building on the reality that more business-to-business (B2B) and business-to-consumer (B2C) customers are now using social media to voice their experience complaints, the article seems to suggest that the road to protecting brands and customer behavior lies largely in how responses to these online negative posts are addressed with the individual complainer.

The "complainer personas" (Figure 1.6) identified in the blog post are interesting, as are the suggestions for social response. However, the article, having identified the fact that few B2B and even fewer B2C customers will ever complain after a negative transaction or experience, misses the real world of online positive and negative informal content.

First, recent research indicates that the Huba and McConnell online "90–9–1" rule (90% lurkers, 9% commenters, 1% active bloggers) among those using online social media, identified several years ago, has now morphed into statistics more like 70%, 20%, and 10%. So, in actuality, online complaints are still being expressed by very few negative customers (though it is well understood that, though representing relatively low numbers, they can do a lot of reputation and purchase damage). Also,

Figure 1.6. Complainer personas.

consistent with ongoing research by KellerFay, the vast majority of informal peer-to-peer communication continues to take place offline, that is, face-to-face and via mobile devices.

Bottom line

While there is definite value in identifying types of complainers and how best to respond to their issues, companies wishing to protect brand equity and customer loyalty behavior should make it a priority to gather a complete, and prioritized, inventory of negative customer issues.[9] This will facilitate a strategic deployment of communication and resources to address, and mitigate, the individual and collective impact of complaints.

Are Corporate Customer Experience Intentions Overwhelmed by Senior Executive Risk Aversion and Other Roadblocks? Can That Be Changed? (February 13, 2013)

In developing plans and executing processes for optimizing customer experiences, and the parallel goal of increasing customer loyalty behavior, we often see the admonition "hope is not a strategy" at play within organizations. A recent Oracle study illustrates how wide the gulf is between corporate intention and corporate reality.

A key finding of this research, conducted among more than 1,300 global senior executives, was that over 90% of executives said that improving customer experience is a top priority over the next 2 years, in part because of the recognized risk to the customer base and to sales if they don't; and a similar percentage said that their companies want to be customer experience leaders. However, just over one-third were only now beginning with formal customer experience initiatives, and only one-fifth considered their customer experience program advanced.

Another major disconnect was that, while four-fifths of the companies surveyed identified social media leverage as central to building stronger customer experiences, over one-third have no social or mobile approaches to support either sales or service. Reasons identified for not moving forward on these initiatives include inflexible technology, siloed organizational structures and systems, low investment, and inability to measure initiative results. This slow adoption, or non-adoption, seems to be not so much a reflection of stagnant international economy as it is of significant, historic corporate conservatism and risk aversion.

Customer experience and behavior studies have, for years, concluded that the vast majority (90% or more) of customers would switch suppliers because of poor customer service, and might even pay a premium for proactive service. In the Oracle study, fewer than half of all executives surveyed thought that customers would defect due to negative experiences (Figure 1.7), nor did they think that customers would pay for great experiences. That finding is yet another huge divide between "conventional wisdom" of executives and the realities of customer behavior.
In the Oracle study, it was found that company executives often believe that increasing spend on advanced technologies will help create more positive experiences for their customers; and many reported planning to do

Figure 1.7. Customers defect due to negative experiences.

so. These investments, however, haven't delivered the value that customers want, such as more personalized communication, omnichannel self-help, service and support through mobile and other channel devices, and integrating social media with service processes. This is further evidence of averting the real, but decidedly more effective, risks associated with improved customer experiences, namely,

1. moving to a more customer-centric, responsive, and participatory culture;
2. the removal of internal structural and functional barriers;
3. customer goals that are stated, restated, and restated again, consistently by senior executives across the enterprise; and
4. visible, real-world performance metrics, and reward and recognition for specific customer experience achievement.

There are lots of customer experience success models which can help to overcome risk aversion, and make worthy corporate intentions a reality. One particularly effective model is that articulated by Vernon Hill, the Chairman of Metro Bank in London, and the retail-oriented entrepreneurial executive who made Commerce Bank a regional marketing force in U.S. banking for several decades (Figure 1.8).

In his recent book, *Fans! Not Customers* (Profile Books, London, 2012), Hill stated:

> *We want our customers to be passionate about doing business with Metro Bank, to become Metro fans. Our philosophy is more than just a corporate mission statement: it's a way of life. Our corporate spirit – something we've made a unique part of our social fabric – enables us to succeed. We are fanatically focused on delivering a unique customer experience. Over-investment in facilities, training and people, a focused geographic management, and countless mystery shops a year ensure that we always exceed our customer's expectations.*

As Hill observed:

> *You don't have to be 100 percent better than the competition in order to beat them. You have to be 15 percent better, and you have to get better all the time. It's all about standing out from the competition...*

Figure 1.8. Metro Bank is a customer experience success model.

Customer Complaints: The Valuable Gift of Getting the Whole Picture+ (December 21, 2012)

Along with performance and loyalty metrics gathered through research, complaints are one of the best sources of customer data a supplier can have, yet most companies are getting half, or much less, of the complaint picture. Their portion of the enchilada is the complaints customers post via telephone, mail, fax, mobile, and Internet. Suppliers need to have the whole picture, available through good research and analysis.

Nothing can be as effective as complaints at either sinking a sales, marketing, customer loyalty, or service program or giving it new life. Complaints can be a positive or negative influence on customer's word-of-mouth, as well as intention to remain loyal or to defect.

At a time when product and service loyalty continues to decline, consumer advocacy groups report that more than 50% of the buying public have problems or complaints with the products and services they purchase. Yet, it has been estimated that only about 2–10% of customers actually air their grievances to the supplier. Some industries experience notably high levels of customer complaint silence: financial services, food and beverages, pharmaceuticals, and high-tech. It's been extremely well documented why their customers won't complain:

- They're busy, and they can't or don't want to take the time.
- They consider the complaint interaction a hassle and an annoyance.

- They see no direct value or benefit to them in making the complaint.
- They don't think the supplier will do anything about the complaint.
- They can get what they want from an alternate supplier, so they switch.

Research by one company has found that over 40% of the companies in their B2B database who had a problem or complaint never informed the supplier about it. Their reasons for not expressing their complaints were remarkably similar to those given by consumers. We've seen other studies suggesting that, depending on the industry, unexpressed B2B complaints may range as high as 80%–90%, so this is hardly an exclusive B2C issue.

Even though the rate of expressed complaints is higher in the B2B world, the lost revenue potential of unexpressed complaints is significantly greater there because of the lifetime value of each customer.

In the 1990s, Banc One conducted a study of the loyalty-leveraging effect of expressed and unexpressed complaints on its retail business customers. The bank found that about half of these customers had service complaints. Of those with a complaint, only about half had actually expressed them to bank employees. In other words, fully one-quarter of the complaint picture was missing. Further, those who had not expressed their complaints were far less likely to continue their relationship with the bank than those who had registered a complaint and had it positively resolved.

When customers do complain—through customer service operations like the Campbell Soup Company's Consumer Response and Information Center (which takes more than 300,000 calls a year), or the General Electric Answer Center, which is open all day, every day, or by other means such as e-mail, faxes, or letters, or outbound customer complaint solicitation—as noted above, how the complaints are received and acted upon makes all the difference in their effect on customer perceptions and behavior.

The potential for complaints to negatively impact customers' future purchase intent and recommendation should never be overlooked. In loyalty research for a B2B client, a major manufacturer of paper and related products, it was determined that close to 40% of their high volume accounts had serious performance complaints. These complaining customers were 15% less likely to be positive about continuing to purchase from the client than those without a complaint. Other studies show similar negative loyalty effects of complaints.

Customers experiencing inefficient or insufficient resolution to complaints are not only less likely to repurchase or recommend from that supplier, they will spread their negativism—telling anywhere from 2 to 20 people about their experience in direct word-of-mouth, and significantly more via mobile devices and the Internet. And, as we've learned, the "long tail" represented by negative online postings means that consumers will see opinions of "badvocates" for a considerable period of time.

With numbers and results like these, it's little wonder that, left poorly handled or totally unresolved, complaining customers can sabotage even the most carefully crafted marketing or customer loyalty program. The incidence of poor customer service demonstrated by many e-commerce Web sites has been actively reported in the media. Patrons will even set up their own Web sites so that other upset and former customers have a forum for their negative experiences.

So, having seen how complaints can hurt, how can complaints complement, and even enhance, a company's customer loyalty, customer service, or CEM program? There are three ways:

- First, encourage customers to contact the company with questions, comments, problems, or complaints; and, make this as easy as possible.
- Second, identify the root causes of all complaints, registered and unregistered, so that their sources can be addressed and corrected.
- Third, enhance the effectiveness of problem and complaint resolution processes so that customers are provided sufficient contact venues.

There is a fourth method to consider when approaching complaint generation and management. And it may be the simplest, and most effective of all.

Over the years, we've found that most companies, in their customer value/performance (transactional and relationship) research, fail to ask about complaints, either those that have been registered or those that haven't.

We strongly advocate doing this. Complaints, after all, are a different category of involvement with a supplier than just low performance ratings. They're stronger. They're certainly more consequential. If we can identify those complaints that have been registered and how they have/haven't been resolved, and those complaints that haven't been registered (and the reasons for non-registration), this represents a complete inventory and landscape of customer complaints. It sheds new light on the complaint process. Their specific potential effect on customer loyalty can then be modeled for prioritized action.

The lesson here, as has been proven again and again, is that when customers are encouraged to dialogue with suppliers if there are performance delivery problems or concerns, that opportunity for enhanced value provision actually creates stronger, more bonded and productive relationships between them.

Having a comprehensive database of the registered and unregistered complaints gives a supplier the entire spectrum of customer negativity, enabling corrective action to be much more focused and relevant. When this is combined with customer profile and contact data, and assessments of key elements of performance delivery, and metrics about intended behavior (advocacy level, brand bonding, likelihood of future purchase, likelihood to recommend, and so forth) through targeted loyalty and win-back research, companies can be far more effective in optimizing customer loyalty behavior. That's the clarity represented by the whole picture.

As Janelle Barlow famously wrote almost 20 years ago, a complaint is a gift. So, an unregistered complaint is an unopened gift. Is it a gold watch or a holiday fruitcake?

Milton Waddams: Valuable Lessons from the World's Most Alienated Employee and Customer (December 18, 2012)

Does anybody (besides me) remember Milton Waddams (see Figure 1.9), the disgruntled, slightly off-kilter employee from the amusing, now

***Figure 1.9. Milton Waddams in the movie* Office Space.**

almost cult-like, 1999 movie, *Office Space*, Milton's role was pivotal to the final outcome of the plot; and he represents, admittedly in an over-the-top way played for entertainment, what can potentially go wrong with disaffected, ignored employees, and also angry, ignored customers.

For example, as the movie plot unfolded, Bill Lumburgh, an uptight company vice president who was the office's senior executive, made Milton's working life a growing nightmare. As Milton's distress over his increasingly bad treatment grew, Bill said: "Milt, we're gonna need to go ahead and move you downstairs into storage B. We have some new people coming in, and we need all the space we can get. So if you could just go ahead and pack up your stuff and move it down there, that would be terrific, OK?" Milton's response: "Excuse me, I believe you have my stapler..."

Later, Milton, seemingly talking on the phone, said to no one in particular, "And I said, I don't care if they lay me off either, because I told, I told Bill that if they move my desk one more time, then, then I'm, I'm quitting, I'm going to quit. And, and I told Don too, because they've moved my desk four times already this year, and I used to be over by the window, and I could see the squirrels, and they were married, but then, they switched from the Swingline to the Boston stapler, but I kept my Swingline stapler because it didn't bind up as much, and I kept the staples for the Swingline stapler and it's not okay because if they take my stapler then I'll set the building on fire..."

Near the film's finale, the alienated Milton carried out his threat and set the building on fire. First, however, Milton reclaimed his Swingline stapler from Bill's office; and, at the same time, he also stole some money left for the boss by another employee, Peter Gibbons, the movie's hero (who'd earlier embezzled it, but, suffering from remorse, returned it). At the end of *Office Space*, Milton becomes the quintessential picky customer, while using the money he pilfered for vacationing at a Mexican beach resort. The last lines of the movie go like this, as Milton speaks to a waiter about his botched drink order:

Milton Waddams: "Excuse me? Excuse me, senor? May I speak to you please? I asked for a mai tai, and they brought me a pina colada, and I said no salt, NO salt for the margarita, but it had salt on it, big grains of salt, floating in the glass..."

Mexican Waiter: "Lo siento mucho, senor," i.e. "I'm very sorry, sir." and [under his breath] "Pinche gringo," i.e. "Old, stupid, worthless, f______ American"

Milton Waddams: [as the waiter walks away] "And yes, I won't be leaving a tip, 'cause I could...I could shut this whole resort down. Sir? I'll take my traveler's checks to a competing resort. I could write a letter to your board of tourism and I could have this place condemned. I could put...I could put...strychnine in the guacamole. There was salt on the glass, BIG grains of salt."

The customer-centricity lessons: Listen, and pay attention, to employees. Listen, and pay attention, to customers, even the Miltons of the world.

Section Summary and Perspective

Many companies are actively product-centric. They believe that strategic advantage is based on the product and the expertise behind the product. The organizational structure (divisions, groups, and teams) is set up around products and projects, employees are rewarded based on their ability to sell existing products or create new products, and brand equity is seen as having greater value than the customer. In these companies, all customers are often treated the same, irrespective of current or potential value to the enterprise. There are, however, cracks in this concept, due principally to globalization, speed of new technologies, deregulation, and the rising power of consumers (to get what they want, when they want it, and from whomever they select to provide it). Product centricity can put these organizations at risk relative to companies that are customer-centric.

Customer centricity is a strategy to fundamentally align a company's products and services with the wants and needs of its best customers and those which can readily be bootstrapped (through research segmentation tools such as advocacy level) to become more financially attractive. It is about identifying the most valuable customers and then doing everything possible to bring their (positive and negative) ideas into the center of the enterprise, create value for them, generate revenue from them, and to find more customers like them. That strategy has a specific business outcome goal: more profits for the long term. This objective is one that every enterprise would like to achieve; and, it can be attained if an organization is willing to move past outdated ideas about customer–company relations and rethink organizational culture, processes, and value.

It will require installation and support of a function such as the CCO, the embracing of customers as partners and collaborators, the movement from such conventional employee concepts as engagement, to ambassadorship, and the active acceptance of the need for customer proaction.

CHAPTER 2

Customer and Brand Decision Making and Influence

Management Overview

With the advent of the Internet, and significant increase in available information for collection and sharing via word-of-mouth (both offline and online), and the growth of mobile device usage, the locus of brand decision making and influence has forever shifted from vendor to consumer. This has profound effect on all things including customer centricity, marketing, customer experience, and value-related factors.

Impact of Experience-Based, Informal Word-Of-Mouth and Brand Bonding

Customers are now driving marketing, and companies have had to modify both their communication strategies and techniques to maintain relationship levels. At the center of this sea change are informal word-of-mouth and brand bonding.

Offline and online word-of-mouth is addressed regarding true (as opposed to artificial) informal communication techniques, plan building and execution, geographic variations, brand bonding as ultimate loyalty behavior, the kinds of research for measuring word-of-mouth and brand bonding, staff buy-in and employee ambassadorship, and the future of this marketing approach. Innovative organizations are building a dedicated, truly bonded and passionate, customer base; and bonding will become the standard for identifying the most effective companies at building customer loyalty behavior.

Loyalty Program Effectiveness

Optimally, loyalty programs are supposed to leverage loyalty customer behavior, reduce the consideration and use of competitive products and services, and generate data for execution and further behavioral impact. To achieve this goal, the program and its access channels must also be user-friendly. Organizations should address several loyalty program effectiveness issues:

1. Are loyalty programs achieving their financial goals? According to a 2010 study by the CMO Council, very few marketers felt that these programs had been effective at leveraging loyalty and brand preference among members, and the majority of members exhibited negative behavior toward the programs.
2. How are access channels impacting loyalty program member behavior? To optimize brand engagement and advocacy, programs must be (or become) multichannel, as desired by members.
3. How effective are loyalty programs as cross-channel marketing and communication/influence tools? Program managers need to understand, and track, members' offline and online communication behavior.
4. What kinds of customer data are being generated through loyalty programs? Profile data is a key deliverable of loyalty programs, and there is a need to leverage this information on a micro-segmented basis to identify brand advocates and evidence of brand-bonding behavior.

Making an Emotional Connection with B2B and B2C Customers

Customers want to trust their suppliers, and ideally to bond with, and become advocates for, them. Well beyond performance of basic, tangible elements of value, consulting organizations have regularly concluded that emotionally based, more human relationships between customers and suppliers are desired, even among B2B customers. Among other things, this necessitates more personal and relevant communication. It also places more emphasis on personalization, peer-to-peer word-of-mouth and perceived brand reputation in B2B.

The basic "table stakes" tangible elements of value must be delivered at a high level, and so should customized service—throughout the entire customer life cycle. Thus, bonding behavior can be generated among all customers, even B2B.

Emotional Dynamics of Customers' Brand Decision Making

Heavy brand message and impression clutter, coming from traditional approaches to messaging and communication has forced many consumers to seek insights about products and services through informal and less traditional methods. Studies have shown that 90% of consumers see word-of-mouth as the best and most reliable source of product and service information. This has caused marketers to seek more complete and contemporary understanding of what drives customer emotional involvement, particularly bonding and a more holistic brand relationship.

Bonding and brand passion have significant bottom-line impact for organizations, so applying the concepts has become increasingly important. Two key elements of emotional connection are image and reputation and employee behavior, which we define as ambassadorship. Every organization would be well served to focus on engaging their stakeholders, and building stronger bonding behaviors and brand relationships.

Experience-Based, Informal Word-Of-Mouth and Brand Bonding Puts Consumers in the Marketing Driver's Seat+ (July 8, 2013)

Today, we are witnessing customer-driven marketing through empowerment and self-management; and many companies have found themselves in the backseat of the new customer–supplier relationships. They are forced to modify existing communication techniques, or create new ones, so that they can be positioned to generate bonded brand loyalists among their customer bases. How they use, or misuse, these new-age relationships and techniques, and how they assess the return-on-customer effectiveness, and level of monetization, of their initiatives will change how word-of-mouth is pursued by both small and large enterprises.

The false sense of simplicity surrounding much of the early application of word-of-mouth techniques has given way to real challenges that businesses must address:

What is true word-of-mouth versus artificial word-of-mouth, and why is it essential for marketers to distinguish between the real and engineered advice?

How do marketers actually build plans around word-of-mouth, run an effective word-of-mouth program, and track its success?

Is word-of-mouth the same in every market or geographic situation; and, if not, what are the key differences for marketers to understand?

Why is customer–brand bonding the ultimate attainment of loyalty behavior on behalf of a brand or supplier?

What kinds of research and metrics are available to monitor the revenue impact of word-of-mouth and brand bonding among customers?

What is necessary to get staff buy-in, and what is the role and effect of employee ambassadorship in word-of-mouth?

What is the real, likely future of word-of-mouth marketing?

For marketers to succeed in this arena, it's important that they have, or develop, both a comprehensive overview and set of actionable insights for understanding all nuances of the word-of-mouth landscape: how we got here, how true word-of-mouth campaigns can be generated and modeled, how appropriate measures need to be applied to assess strategic and tactical campaign effectiveness, why customer–brand bonding is the ultimate goal of word-of-mouth, how technology tools are being integrated to facilitate learning from word-of-mouth campaigns, how employee behavior links to customer loyalty behavior, how word-of-mouth is addressed outside the United States, and how the concept is likely to morph going forward.

There's a new dynamic associated with offline and online word-of-mouth and customer–brand bonding, and it begins with moving beyond traditional thinking about customer loyalty behavior. What is real loyalty today? How do you measure it, how do you protect it and reward customers for their loyal behavior? What we are coming to understand now is that a loyal customer is not enough. Customers may say that they are loyal to the brand and say that they will use the brand again; but, given the opportunity, they will often switch without hesitation. We have seen this in industries such as retail, wireless telecom, credit cards, and travel, each of which has spent more than almost any other industry on loyalty tools.

At the same time, we are seeing a group of innovative brands such as Google, Subway, Nike, Zara, Samsung, Amazon, Red Bull, Apple, Zappos, and Harley-Davidson, each having a dedicated and enthusiastic group of customers who are more than just loyal—they are bonded. Once these select companies have built a critical mass of bonded customers, they enjoy benefits which most brands could only dream of. They get massive word-of-mouth exposure, they have reduced customer acquisition costs, they have lower service and support costs (or none in the case of Google), they can enter new market areas, and so forth. The most remarkable example of customer–brand bonding may be Google, which not only doesn't do any marketing (in the traditional sense) but, as noted, also doesn't have any customer service; and, yet, Google still has a large cadre of users who are passionate about their value proposition.

Customer loyalty, in and of itself, focuses on retaining customers, and "barriers to exit" in the macro sense. In today's interconnected world, with active vendor substitution and high churn rates an everyday reality, traditional approaches to customer behavior management will inevitably fall short. Bonding, now identified as the highest expression of customer loyalty behavior, has proven to generate stronger, and more polarized (positive to negative) results across B2B and B2C verticals, especially when compared to traditional satisfaction, retention, loyalty, and recommendation metric results. Arguably (because customer researchers detest agreement), customer bonding will be the standard for successful brand and corporate performance going forward.

Loyalty Programs in the Real World: Are They Enhancing, or Undermining, Customer Behavior?+ (April 4, 2013)

The classic objective of these initiatives and programs (see Figure 2.1) is to leverage loyal behavior among the customer base, in and of themselves, and reduce the use or consideration of competitive products and services.

Figure 2.1. A collection of loyalty cards.

It's fair to say that, to meet this objective, the program, its multiple channels of access, and its array of components and perception of personal value, and positive informal communication by members on its behalf, need to be well understood and user-friendly, as well as distinctive and beneficial.

At this critical point in the loyalty program effectiveness life cycle, it may be useful to address several key questions:

1. *First, on a macro level, are loyalty programs achieving their financial goals?*
   In 2010, the CMO Council conducted a study, "The Leaders in Loyalty: Feeling the Love From The Loyalty Club," in which, among the key findings was that this objective was not being met. The study concluded that companies sponsoring loyalty programs were just using them to deliver general discounts and perks to the mass of member customers, ignoring the profiles within the database which would help provide more targeted and relevant communication and stronger value perception among program members. Among the marketers in the study, only 13% felt that they had been highly effective in leveraging loyalty and brand preference among club members, and nearly 20% had no strategy in place for doing this. Further, nearly 30% of marketers reported that customers see little or no added value to becoming a loyalty program member, though they admitted that

most program components have discounts, free products or premiums, rather than better service or improved customer handling.

Very significantly, over half (54%) of loyalty program members surveyed in the CMO Council study were demonstrating negative behavior, considering leaving the programs or defecting from the brands and companies sponsoring them, principally due to the onslaught of irrelevant and off-target messages, low or non-meaningful program benefits, and the impersonal treatment they receive as members. At the same time, it has been well established in multiple studies (such as by loyalty program reporting, research, and development consulting company, Colloquy) that customers participating in loyalty or reward programs are much more likely to be positively communicating their experiences and recommending the product or service of the sponsoring organization than the remainder of the customer base. So, on an overall level, loyalty programs represent opportunity converging with challenge.

2. *How are access channels impacting loyalty program member behavior?* Consumers have become increasingly more connected, to institutions and each other.

   The fact that many of these loyalty programs have omnichannel, or at least multichannel, member access can potentially create either further value or detract from it. Clarity, ease of program use, greater accessibility, credibility, and superior experiences—anywhere, anytime, in a 24/7 digital world—play a critical role in building stronger, more personal and deeply felt relationships and driving customer loyalty.

   Companies need to be able to understand what every purchase and program interaction means to individual members (not all calls, clicks, visits, posts, or purchases are created equal) so that both communication and rewards can be customized, personally beneficial on an emotional basis. Research has shown that the more relevant the benefit, and the easier a customer can access it, the more likely a member will be to engage, and continue, with the program and brand. And, while companies want to build relationships and loyalty by rewarding customers who have strong relationships and are truly bonded to the supplier, they also need to guard against the growing trend toward gaming, which, like negative reputation and image, can bring down a program because of its impact on other members as well as the general public.

Cross-channel usage can represent real opportunity. There is potential for loyalty program members to be rewarded for interacting with brands in multiple ways. This includes:

- engaging with other members, and sharing or creating content;
- connecting with the brand (and other members) across social sites such as Twitter, Facebook, and even LinkedIn;
- utilizing Foursquare to identify location;
- making purchases or obtaining benefits;
- visiting stores, using services, and so forth.

When this is accomplished, brand engagement and bonding (through online social postings and offline informal communication) increases, appetite for loyalty program involvement is enhanced; and, not unimportantly, sales are higher.

3. *How effective are loyalty programs as cross-channel marketing and communication/influence tools?*

As noted, many loyalty program members are active both online and offline. Programs not only need to understand why and how brand-related informal communication is taking place, they need to actively consider incentivizing members to engage in this kind of dialogue. What's the rationale? When members interact through their various connections, this generates a tremendous amount of data (see next section) from within their social sphere; and these valuable insights can be leveraged to drive both marketing and loyalty program efforts. Building such incentives into the loyalty program, the most influential and engaged customers help drive program awareness, interest, and new member acquisition.

Ideally, the cross-channel loyalty member's individual trail can tell a company how socially engaged that customer is within the brand, also identifying and quantifying each member's level of influence (offline and online). So, cross-channel tracking enables connecting the member to other program members, to other brands and programs (both positive and negative behavior), and identification of their social activity on the program's, and the brand's, bottom line.

4. *What kinds of customer data are being generated through loyalty programs?* Another key loyalty program objective, often not applied to greatest effect, is to be an important method of generating customer profile data which can be used for targeted, even micro-segmented, marketing, promotion and communication initiatives. Rewards programs are opt-in, and companies need to be more integrated across all brand access channels, mobile applications, and point-of-sale systems, as well as social networks.

   The days of generating narrow, channel-specific data are behind us. Brand engagement and social influence data should be captured online and offline. Having such a multichannel platform enables companies to identify, and understand, the behavior of every individual and determine what channels and elements of the loyalty program are having the greatest impact on behavior. They need to be able to identify what triggers brand-related actions, what moves a customer to go beyond thinking and browsing to purchase, and, on a micro-segmented basis, which customers are the strongest, and most valuable, brand supporters.

For all marketers, if they hope to build profitable purchase and positive offline and online behavior from loyalty program members, the tools for doing so exist within the program database, the customer profile dataset, software for site and social media navigation, and the elements of attraction of the program itself. First, companies should identify the strongest supporters (purchase, brand affinity, and downstream voluntary word-of-mouth) of program components embedded within their membership ranks, and there are actionable research segmentation tools to accomplish this goal. Then, they should build relationships that reward these members for their positive buying and word-of-mouth activity. Loyalty programs, used effectively, can be an excellent engagement mechanism for creating and extending customer–brand-bonding behavior.

Cultivating Behavior by Making an Emotional Connection with All Customers—Yes, Including B2B!! (November 21, 2012)

Many of us who actively conduct research in, write about, and consult our clients on how to optimize drivers of customer advocacy behavior believe that creating a personal and emotional connection with customers is essential. It certainly is a subject of continuing discussion, and even debate; but its importance can no longer be denied or dismissed. As a 2011 Peppers and Rogers customer advocacy white paper stated so well: "*Advocates work on a company's behalf to promote the brand, enhance its reputation, and in some cases, drive new business. They are also valuable customers themselves, buying more and being less price conscious than other customers. And, most important, they connect with the company on a deep emotional level, which in itself is the best differentiator there is.*"

The most valuable customers appreciate and want more personalization, a relationship, and an emotional connection. It's up to organizations to (a) identify the strongest emotional drivers and (b) effectively leverage them. Successful organizations have either morphed, or have begun, by placing customers' interests ahead of the enterprise's. They build a "bank account" of trust; and high trust, and the positive reputation and image it breeds, is an enduring strategic advantage, a definite competitive differentiator.

In every business sector, customers call the shots on what they want, and don't want, in a relationship journey. In the banking industry, for example, most studies show that competitive fees, product availability, staff service, and branch hours are all pretty much basic value deliverables. Transparency in communication and dealings, and personalized proaction, however, are in much shorter supply; and these characteristics are markers for banks which create high customer advocacy levels.

Traditionally more product-centric than customer-centric, B2B companies have more slowly come to an understanding of how customers "own" the relationship compared to their B2C counterparts. But, they have increasingly become aware that customer relationships must become more human, more personal, and produce greater relevancy. In short, B2B companies have to communicate and represent what their customers are interested in—at that moment. Personalization is the way to get there.

Extensive research into numerous B2B sectors has repeatedly shown that even with the tighter decision parameters and controls such as pricing, and regulations and vendor qualification that may exist in B2B products and services, much of what drives initial and ongoing supplier choice is built around brand impression and peer-to-peer informal communication.

What creates and sustains top-end loyalty and continued relationship is, of course, excellent performance on "table stakes" tangible, basic value elements. Delivering at promised levels on pricing, completeness, accuracy, timeliness, reliability, and consistency is the minimum standard for building a foundation level of trust and helping to build the supplier–customer relationship. Proactive, personalized service that exceeds expectations, two-way communication, and engagement help bond the customer to the supplier. This is true throughout the customer life cycle, from initial supplier selection and purchase through cross-sell, upsell, and loyalty behavior.

Customer bonding is very much alive and well in B2B products and services. Multiple studies, and successful application, demonstrate that word-of-mouth and brand reputation are essential decision-making levers. If anything, due to the more critical nature of touchpoints, performance, brand perception, and relationships in B2B, a bonded relationship may well be considerably more important in this arena than in the B2C world.

The New, Real-World Emotional Dynamics of Brand and Customer Decision-Making Behavior+ (October 29, 2012)

Today, marketers must be aware that customers are so inundated and overwhelmed with messages, impressions, and the availability of product and service information that they've gone, in large measure, to alternative, informal, and less traditional methods of helping them decide what and where to buy. At the heart of seeking sources for decision input is trust, and its first cousins: credibility, relevance, honesty, transparency, inclusion, objectivity, and authenticity (Figure 2.2).

This is an era where unsolicited message spam, pop-up ads, telemarketing, and other types of targeted, "push" advertising and marketing communication, indeed most long-standing forms of electronic and print messaging and promotion, receive low trust and believability scores in survey after survey of customers. Beyond permission e-mail, supplier and brand Web sites and the like, customer trust is consistently highest for word-of-mouth. How high? While the aggregate value of print and electronic advertising as a decision-making influence has remained about the

Figure 2.2. Trust and its first cousins are key elements of customer decision making.

same since 1977, word-of-mouth has doubled in leveraging power to the point where it is the dominant communication device in our society.

Through public studies, it has been learned that more than 90% of customers identify word-of-mouth as the best, most reliable and relevant source of ideas and information about products and services. This is about the same percentage who find it the most trustworthy and objective source. More than trend, this is marketing transformed, bringing emotional connection to the brand into sharper, more contemporary and realistic focus.

As a result, no matter how well suppliers believe they understand their customers' needs and their online and offline behaviors on an individual basis, they must have new insights, and both a strategy and array of tactics which will help customers create influence and personal leverage, peer to peer and situation by situation. What this means as an end goal is creation of active customer bonding and brand relationship (loyalty converged with brand passion), states of elective, personal, often deep-rooted and emotional engagement between a B2B or B2C purchaser and supplier that goes beyond satisfaction, beyond delight, and even beyond loyalty.

Bonded and brand relationships represent the highest level of customer involvement achievable; interaction with suppliers on an individual and emotional level well past the typical functional, passive relationship between supplier and customer; and having them proactively and voluntarily convey their experiences to friends, relatives, and colleagues. Bonding and brand relationship are not merely different spins on gaining insight about customer purchase, referral, and communication behavior. They are also built on trust and brand excitement, through real, authentic experiences.

Arguably, because the name of the game is rational and emotional value optimization, learning about how customers perceive suppliers, brands, products, or services and then having them carry their experiences and consideration forward as active loyalists and brand passionate customers is, or will become, the only way to think about them. Companies will need to make significant adjustments from traditional minimally targeted marketing approaches to an environment where customers expect personalized interest and collaborative, supportive communication and engagement.

Customer bonding and customer negativity, and brand passion and alienation, are subjects which have incredible bottom-line importance, but companies are really just beginning to learn about the concepts (and there is still some confusion among those who know the terms) and few have successfully applied outside-in or inside-out loyalty behavior and brand passion creation in their marketing and customer experience initiatives. We see, however, that both customer bonding and brand passion have become mainstream issues; so, application approaches are rapidly maturing.

Social media influence on decision making and downstream customer behavior, and the impact of customer experience, particularly around positive and negative customer behavior, and brand passion and alienation, are already tremendously important to all companies; but, the "what's next" and "how do I apply the concepts and tools in my work" are key subjects now. Bonding is still a fairly embryonic concept for most marketers, but there is already a strong groundswell of interest and investment in optimizing it. Companies are very actively looking for bonding enhancement and brand-related solutions and methods of minimizing, or eliminating, customer indifference and negativity.

And, customer disaffection, negativity, and sabotage—from both the inside and outside of the organization—are powerful, but rarely discussed.

All of the changes witnessed over the past several decades in customer decision making and influences on corporate and brand perception have brought companies operating in B2B and B2C marketplaces to an important inflection point. There is an increasingly critical connection between brand and service promise, corporate and brand reputation trustworthiness, the transactional experience (as delivered by people, processes, communications, and culture), and downstream customer behavior.

Any small ripple in reputation change (such as through a product-related issue, online rumor, or executive miscue), brand performance, or customer service can have a tsunami-like effect on business outcomes which may last indefinitely. Worldwide, and industry to industry, about 20% of any company's customer base is negative; and, through customer advocacy and brand passion studies, we have seen levels of alienation and sabotage that are significantly higher.

This is especially true now because of the permanency provided by social media. As one example, Lehman Brothers, at the time the fourth largest investment bank when it declared bankruptcy and collapsed in 2008 and yet has nearly six million hits online despite the fact that it technically no longer exists. Companies like FedEx, Toyota, Enron, and British Petroleum can confirm the business-related impact of the electronic "long tail."

Of all factors which can influence consumer behavior and brand success, employees have a particularly important ambassadorial role in building trust and reputation. Studies have found that employees are often less than enthusiastic about their employers and the goods they produce, particularly in the recent anti-business shift in public opinion during the economic downturn. Poor employee morale and responsiveness, coupled with inflexible processes, often drive customer complaints, a prime cause of customer churn as well as customer defection itself. Some complaints are expressed to the company; but most are either suppressed, mentioned in casual online or offline conversation, or posted on social media sites.

Why do people/businesses need strategic assistance with these concepts and optimizing their marketing, brand, customer experience, and communication goals at this time? Creating customer bonding, brand passion, and brand relationships, from the inside out (customer experience—people and processes) and the outside in (neural, peer-to-peer communication), can make a huge profit impact on any marketing initiative and the overall enterprise, irrespective of size or industry. Every company has pressure on marketing, sales, and customer service budgets; and they are being tasked and challenged to deliver positive customer loyalty behavior through whatever cost-effective means are available to them.

Going forward, to generate lasting trust, positive reputation, and continued consumer confidence for brands, products, and services, companies will need to focus on customer-centric leadership, as well as becoming more transparent and authentic. They will have to ramp up inclusion of employees and customers, and more actively engage in offline and online dialogue with all stakeholders, particularly their best customers. These are the key new, real-world dynamics of what will be required to build and sustain customer bonding and brand relationship.

Section Summary and Perspective

The brand-related information consumers seek and gather, offline and online, profoundly impacts their decision making. Organizations can't control this, although they can have a degree of management where information is involved. This self-directed harvesting is especially true if the information, in verbal or content form, is consistent with their own experiences. And, although some marketers seem to feel that the emotional connection, and the emotional and relationship elements of a product or service proposition necessary to create trust, are fairly recent trends, they have always been at the core of loyalty, engagement, and bonding behavior. It's fair to say that, for an organization to be successful, the emotional core of messaging and experience must be both positive and consistent.

Emotions drive consumer acceptance, indifference, or rejection—and even negativity—of a supplier's wares; and this extends to elements of service, communication, image, and even loyalty programs, which have become a major potential lever of behavior. And, if customers are challenged to understand the personal benefit of a loyalty program, the degree of inconsistency this creates is often sufficient to undermine trust and confidence, two key emotional pillars of value.

CHAPTER 3

Customer Behavior Measurement

Management Overview

In endeavoring to understand drivers behind the behavior of customers, and predict future behavior, we have moved a great deal in the past 30 years. Beginning with perceptions of rational (and emotional, or relationship, quality), we have moved through satisfaction, retention, loyalty, and more simple, and more sophisticated, analytical approaches. We have now entered a period where the emotional elements of value dominate brand decision making, and understanding the underpinnings of strong behavior and brand bonding is paramount to leveraging, and monetizing, customer insights.

Attitudinal Segmentation Can Be Both Misleading and Potentially Dangerous

Attitudinal research frameworks (sometimes identified as "models") have been used for decades to help segment customers according to level of attachment to a brand, and potential for response to marketing initiatives and potential for future purchase. However, because they are built on tactical and passive levels of engagement, rather than proven behaviors, they can be superficial, and even misleading, predictors of behavior and response. Similar observations (confirmed by detailed customer research) can be made regarding quasi-behavioral measures, such as single question metrics and loyalty indices. Availability of stronger frameworks, built around customer bonding and brand passion, will provide greater strategic, and predictive, accuracy and reliability.

Getting Serious About Performance Metrics

As the market research industry witnesses a decrease in ad hoc studies, there is increased pressure for actionability. Performance scoring techniques, such as Net Promoter Score (NPS) and Customer Effort Score (CES), while having some value as a decision guide, have serious limitations in terms of granular application. Though positive service differentiators can have an effect on downstream customer behavior, merely reducing effort in receiving the service has questionable impact on value.

Real-World Customer Experience Research

Some practitioners have expressed concern with the objectives, and applications, of quantitative customer research. While some research may fall short, well-designed customer experience studies address both the emotional and the functional drivers of perceived value and behavior. Further, they reflect the contemporary power of informal communication, and examine both the total experience and its value components. Finally, analyses from real-world customer research do not equate correlation with causation, and facilitate behavioral predictive modeling.

A Look into Brand and Customer Research of the Future

The new dynamics of customer decision making are having a profound effect on customer, advertising and communication, and brand positioning research. Research must now focus not only on fully understanding the impact of trust and relationship, but also the proliferation of online and offline information sources. It also places more emphasis on the amount and quality of data which are generated, plus the way such information is analyzed and integrated. Finally, these changes place similar emphasis on researchers as strategic consultants in the conjoined arena of syndicated and ad hoc customer experience, and brand and communication impact studies.

Customer Loyalty Matters—But Is Often Not Enough

For years, marketers have been endeavoring to create high customer loyalty, measuring it, protecting it, and rewarding customers for exhibiting it. Social word-of-mouth, online and offline, has changed the landscape for understanding customer behavior and designing brand positioning. Brand relationships and customer advocacy are now the ultimate attainment of behavior; so, while customer loyalty focuses on retention, cross-selling and upselling, that is, creating macro "barriers to exit," today it is customer bonding which has become the highest expression of experience-based customer loyalty behavior.

Customer Loyalty Behavior Modeling—What Works and What Doesn't

Organizations actively model many marketing-related activities, such as customer lifetime value, innovation, business planning—and customer behavior. Until the recent past, these models focused on product quality, satisfaction, or engagement. There are now a number of market research models, or frameworks, which purport to identify drivers of customer behavior and brand selection. In virtually all cases, these models incorporate fairly traditional measures such as satisfaction and loyalty; however, customer bonding models are more contemporary and accurate.

Why Segmentation by Consumer (and Employee) Attitudes Is Yesterday's News—and Potentially Dangerous for Organizations (October 2, 2013)

For years, B2B and B2C marketers have relied on attitudinal segmentation research to help them group their current customer base, and potential customers as well, for communication, promotion, marketing, and experience initiatives. The thesis has been that, by asking a small, but meaningful, set of attitudinal questions, they would be able to develop an index, algorithm, or framework equation that ranked these consumers by propensity to buy, both near term and long term.

These frameworks—they're arithmetic, so we can't rightly call them models—typically include questions regarding the importance of elements like value for money, acting with the consumer's interests in mind, credit and payment terms, having knowledgeable employees, offering products which will meet the consumer's needs, and the like. From these questions, basic segment categorization can be determined; and, once these three, four, or five segments are established, we've often seen marketers go on to build assumptive plans, and conduct further, more detailed, research around them.

The goal of these approaches is to produce attitudinal segments which the questions can predict with high accuracy, often in the 80% or 90% range. This creates what economists would call a "post hoc ergo propter hoc" situation, Latin for "after this, therefore because of this." It is a classical logic fallacy, essentially saying that A occurred (the responses to the attitudinal questions), and then B occurred (the cuts, or segments, of consumers). Thus, the fallacy concludes, A caused B. So, for our example, once the B, or segment creation, stage has been established, further fallacies, such as creating reliable marketing, operational, and experiential strategies around these supposed propensities, can be built. It's a classic situation, where correlation is thought to be the same as causation. As your economics or statistics professors should have told you, correlation and causation are far from being identical concepts.

As a consultant and analyst, I've seen the unfortunate result of this application of research and analytics play out on a first hand basis on multiple occasions. Here's a recent one, reflective of negative outcomes which can occur. A client in the retail office products market had been using an attitudinally derived element importance question framework for small business market segmentation purposes. The attitudinal segment assumptions went unquestioned until follow-up qualitative research

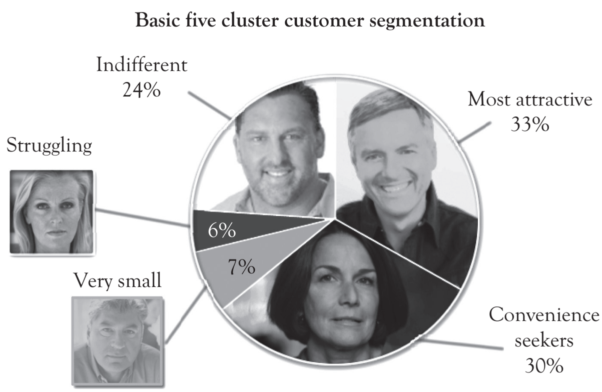


Figure 3.1. Customer segmentation example.

was conducted to better shape and target their planned marketing and operational initiatives. Importance of certain products and reliable service was identified in the research as key areas of focus and opportunity for the office products retailer; but, in the qualitative research, power of both focus areas appeared, anecdotally, to be consistent across all segments. And, even though implied supplier roles were suggested to build purchases, this was much more "leap of faith" based on the established quantitative research segment personas than actual qualitative research findings.

There are related issues with what we can describe as quasi-behavioral measures, such as single question metrics (likelihood to recommend to a friend or colleague or the amount of service effort required on the part of a consumer), or traditional customer loyalty indices (where not only future purchase intent is included, but also attitudinal questions such as overall satisfaction). It's not that they don't offer some segmentation guidance. They do—on a macro or global level; but they tend to be less effective on a granular level, especially where elements of customer touchpoint experience are involved.[1,2]

And, they tend to have limitations as predictors of segment behavior, a key business outcome for marketers and operations management. When compared to research and analysis techniques such as customer–brand bonding, which is a contemporary, real-world framework built on actual customer experience, high satisfaction scores, high index scores, and high net recommendation scores produced likely future purchase results (in studies across multiple industries) which were often 50%–75% lower than brand-bonding frameworks.

So, that's the scenario. The challenge, and potential danger, for marketers and those responsible for optimizing customer experience is that these attitudinal and quasi-behavioral questions are just that—attitudes and quasi-behaviors. Attitudes are fairly superficial feelings, and tend to be both tactical and reactive. And, because they are so transitory, their predictive value is often unstable and unreliable. Quasi-behaviors are also open to many similar challenges. More importantly, attitudes and quasi-behaviors are **not** behaviors, such as high probability downstream purchase intent based on actual previous purchase, evidence of positive and negative word-of-mouth about a brand based on prior personal experience, and brand favorability level based on experience. These are especially valuable in understanding competitive set, and they have real, and very stable, predictive and analytical value for marketers.

As Jaggers, the lawyer, said to Pip in Charles Dickens' *Great Expectations*, "take nothing on its looks; take everything on evidence. There's no better rule." For marketers, that's excellent shorthand for taking everything on behavior, and perceptions based on documented personal experience, rather than attitudes and quasi-behaviors.

It's Time to Get (Really) Serious About Performance Metrics: What (Really) Works and What (Really) Has Actionability Challenges... + (June 18, 2013)

The recently published *2013 Honomichl Top 50 Report*, chronicling business performance of major, U.S.-based marketing/advertising/public opinion research firms, shows an overall decline. Taking out the effect of reduced government spending on market research, and a sluggish economy, there has been a major investment pullback in ad hoc survey studies, as clients experience increasing pressure on their marketing and communication budgets.

This is not yet a doomsday situation, but it does bring front-and-center the requirement that companies, and especially researchers and marketing planners, should be getting much more serious about having, and leveraging, actionable performance metrics. These metrics need to both reflect (i.e., show causation rather than just correlate with) and help build the most monetizing customer marketplace behavior. Two of the more recent, and actively adopted, approaches for doing this—NPS and CES—each carry some significant interpretation and actionability challenges; and there has been much useful (and sometimes heated) back-and-forth among practitioners about the relative merits of various customer experience and marketing metrics and models now being applied, and how granular their results can, or can't, be.

Jim Tincher recently posted a ***CustomerThink*** blog on CES. Thoughtfully, what he has done to build interpretation value into the effort question is to add a follow-on question addressing effort expectations, a surrogate for degree of importance. This offers some dimensionality to the issue of effort. Here's how I responded to Jim's blog, also providing a link to perspectives on NPS: *As an overall response to your blog, I'm not* *a strong supporter of CES, for the reasons I'll enumerate; however, that said, your add-on expectations question provides a critical measure for assessing the level of importance attached to the level of effort. You and I also agree on challenges associated with endeavoring to use NPS for anything more granular than aggregated performance interpretation.*

CES, for those who may be unfamiliar with the term and concept, was originally introduced in mid-2009 by the Customer Contact Council (CCC) of the Corporate Executive Board, in a presentation titled "Shifting The Loyalty Curve: Mitigating Disloyalty by Reducing Effort." A client asked me to review it at the time (when I was a Senior Vice President and Senior Consultant in Stakeholder Relationship Management at Harris Interactive); and, among my three pages of comment were

There is no holistic view of customer experience in CCC's conclusions represented in the CES or effort reduction/mitigation focus. With specific respect to the multiple CES methodological challenges, we (Harris senior methodologists and I) feel that a customer effort score is too one dimensional to capture the overall customer experience or, more narrowly, the customer service experience. Again, customer experience means looking at the overall perception of value through use or contact. It involves the entire system. CCC, for instance, is using callback tracking as a "standard proxy for customer-exerted effort"; and very much like NPS, building their case on a single question ("How much effort did you personally have to put forth to handle your request?," on p. 71 of the presentation), and then taking it to the next level by having a CES Starter Kit (p. 73). Our approach is to validate the impact of customer service within the overall experience and, as well, more around actual behavior than anticipated behavior.

If we've learned anything from the Kano Model since the 1980s and early 1990s, it's a recognition that dissatisfiers can hurt loyalty behavior and enhancers can help drive more positive downstream customer action. Those receiving customer service will not be particularly energized by having their problem solved or questions answered, because these are table stakes and basic expectations resulting from contact. Positive service differentiators, though, can have a beneficial impact on customer experience and brand perception, informal peer-to-peer communication (offline and online word-of-mouth), share of wallet, etc.

To paraphrase some of Bob Thompson's thoughts on CES, the measure principally gets at how well customers are placated and mollified, not the degree to which proactive, or value-added, benefits provided have leveraged their behavior, especially delight. Extensive measurement of neutral, reactive customer value delivery shows little effect on loyalty or advocacy. Expectations, from the vantage of customers, must be exceeded—and in ways that add to perceived value.

Largely irrespective of how much customers' touchpoint effort level is mitigated, without meaningful value overdelivery there is little opportunity to have a positive impact on loyalty. Becoming (really) serious about leveraging performance metrics means that users must get past the marketing hype and puff represented by some measures and models and focus only on what reliably helps move the customer behavior needle.

What's Positive, Real-World, and Actionable In Customer Experience and Brand Research (March 21, 2013)

This is a statement, and not a question. It is a partial response to Steven Walden's blog about what's wrong with quantitative marketing research.[3]

My perspective is that there are some truths in the content he presents, but there are also differing points of view on what works and what doesn't. Namely, the bottom-line objective of most research, especially brand equity and customer experience research, should be to help optimize (through actionability) an enterprise's, product's, or service's strategically differentiated value proposition. And, in reviewing many B2C and B2B customer experience questionnaires and reports over the years, some researchers and some studies, to their detriment, miss the forest for the trees; and there can also be a tendency to miss the story line and "boil the ocean." Most quantitative customer experience research, however, contributes effectively to enterprise marketing resource allocation.

To a degree representing my many research colleagues around the world, I offer several examples of what those of us responsible for well-designed, contemporary quantitative customer experience studies get right:

1. We understand that consumer decision making is not, and has never been, linear; and, for both B2B and B2C, has always been about both the functional and emotional.
2. We understand that such metrics as are applied must reflect the real world of informal communication and influence.
3. We understand that to equate causation with correlation is folly.[4]
4. We understand that total experience is key to value perception and loyalty behavior, but there are also significant, leveraging, components of the experience.[5]

In my response, it was also noted that there is little doubt that the world of qualitative and quantitative market, brand positioning and messaging, and customer experience research has been changing. It was Pasteur who said "Chance favors the prepared mind," and prepared researchers will have less chance to be caught off-guard by the array of challenges Walden cited.[6]

We end with what should be regarded as a key point in his piece: Most customer experience research models, indeed most research studies, tend to back-cast rather than help forecast behavior (through simulation), but models based on how decisions are really made can generate research results and insights that are considerably more predictive, more relevant, and more monetizing.

Gathering and Leveraging Customer Decision Insights: A Look into the Brand Impact, Communication, and CX Research Future (December 10, 2012)

There are strong currents of change in the worlds of customer, advertising and communication, and brand positioning and behavior impact research. These new dynamics of customer decision making will impact the levels of innovation, insight, and action for everyone applying any form of syndicated or custom research for making experience, brand equity, advertising, and communication plans. We're not just speaking of the tools for collection—such as the declining use of telephone surveys, except for some targets and regions, in favor of online and other methods. Sea changes are taking place in research.

In studies among research practitioners, on both the corporate and vendor sides of the desk, there is strong belief that innovative and creative methodological advances—such as fully understanding the level of trust and relationship value that customers want with brands and suppliers—must move to reflect the explosion of online and offline data sources. As well, practitioners understand the need to integrate all of this information, produce more actionable insights, and drive better business decision making and more positive outcomes.

Perhaps the biggest challenge can be boiled down to one word and concept: DATA. Simply stated, the sheer volume of information which can be generated through online informal brand-related content, as well as customer profile data (from public and corporate databases), and syndicated and custom research must be effectively integrated. Further, there must be requisite methodological and analytic capability exhibited by professionals, and the systems they utilize, to take these integrated data and generate actionable, meaningful insights. In the face of this complexity, customer, advertising, and brand marketing researchers must become consultative and strategic professionals to keep from becoming commoditized and marginalized.

From my perspective, this is a significant opportunity for the marketing research community rather than a threat. Studies have found that

Figure 3.2. Many ways to think about customer behavior.

some elements of research—brand strategy, customer and shopper behavior, advertising and promotional effectiveness, cultural/multicultural monitoring, media mix planning, and so forth—will endure over time.

Text analytics (sentiment/semantic analysis), and data generated through digital and mobile marketing, are emerging trends receiving research attention, and new methods must align with what is evolving here. The same is true of touchpoint effectiveness (modes of consumer contact, such as advertising, customer service, PR, promotion through sponsorship, and so forth), social networking, and even the potential of neuroscience, which are all becoming more important and receiving more attention as emerging marketing elements.

For researchers to become strategic consultants in this arena, the name of the game will be adaptation to the growing complexity of marketing in a digital world and the explosion of data streams from it. Another key trend, leveraged by marketing, communication, brand and research budget shrinkage, and corporate desire for more integrated insights, is the movement seen in an increasing number of companies: the blending of these functions into a single, overarching discipline, which also drives customer-centric corporate culture. Innovation, whether in syndicated or custom research, or in the application of customer, brand, and communication impact data, will help make this happen.

Why Customer Loyalty Matters (and It Absolutely Does!), But Is Often Not Enough+ (September 19, 2012)

Businesses, hoping to capitalize on the explosive, potential power of word-of-mouth in their marketing programs, have come to something of an epiphany. The seemingly simple process of people talking to one another about a product or service, a behavior that has been around for as long as humans have lived in civilized communities, is not as easy to manage as they once believed nor, in most cases, has it generated the lofty and consistent results they had expected.

Over the past decade, the concept, and effective execution, of offline and online social (and business-related) word-of-mouth has become extremely important to marketers as, increasingly, B2C and B2B customers have shown distrust, disinterest, and disdain for most supplier messages conveyed through traditional media. This has also caused companies to reconsider the role of brand in driving relationships.

Several books have served to raise awareness of such new-age social word-of-mouth marketing components as influencer relations, buzz, viral communication, neural networks, online community, collaboration, consumer-generated media (blogs, boards, user forums, online reviews, and direct supplier feedback), and other peer-to-peer dialogue. However, given the availability of techniques such as text mining, analytics, electronic (consumer-generated) content monitoring and harvesting, and downstream behavior analysis, they have barely scratched the surface in defining how to use these techniques, and assess their effectiveness, to achieve and sustain success.

Today, we are witnessing customer-driven marketing through empowerment and self-management; and companies have often found themselves in the backseat of the new customer–supplier relationships. They are forced to modify existing communication techniques, create new ones, or do both, so that they can be positioned to generate brand advocates (and avoid or minimize indifference and sabotage) among their customer bases. How they use, or misuse, these new-age relationships and techniques, how they leverage brand passion and engagement, and how they assess the return-on-customer effectiveness, and level of monetization, of their initiatives will change how social word-of-mouth is pursued by both small and large enterprises.

The false sense of simplicity surrounding the early application of social word-of-mouth techniques has given way to real challenges that businesses must address:

What is true word-of-mouth versus artificial word-of-mouth, and why is it essential for marketers to distinguish between the real and engineered version?

How do marketers actually build plans and position their brands around social word-of-mouth, run an effective word-of-mouth program, and track its success?

Is social word-of-mouth the same in every market or geographic situation; and, if not, what are the key differences for marketers to understand?

Why is brand relationship, composed of brand passion and customer advocacy, the ultimate attainment of behavior on behalf of a brand or supplier; and, what is customer sabotage and how can it be avoided?
What kinds of research and metrics are available to monitor the revenue impact of social word-of-mouth and conjoined brand passion and advocacy behavior among customers?
How does word-of-mouth compare to recommendation as a downstream behavior lever; and why is the act of recommendation both considerably more complex and less leveraging of customer behavior than originally believed?
What is necessary to get staff buy-in, and what is the role and effect of employee advocacy and sabotage in word-of-mouth?
What is the real, likely future of social word-of-mouth marketing?

For many years, marketing practitioners have been focused on creating high customer loyalty. How do you measure it, how do you protect it, and how do you reward customers for their loyal behavior?

What we are coming to understand now is that creating a loyal customer may not be enough to prevent risk and even loss. Customers may say that they are loyal to the brand and say that they will use the brand again; but, given the opportunity, they will often switch with little or no hesitation. We have seen this in industries such as retail, wireless telecom, credit cards, and travel, each of which has spent more than almost any other industry on loyalty tools; however, the switching virus has spread to many other B2B and B2C sectors to the point where it is at pandemic levels.

At the same time, we are seeing a group of brands such as Google, Red Bull, Zappos, Apple, Umpqua Bank, Wegman's Markets, Amazon, IKEA, and Harley-Davidson, each having a dedicated and enthusiastic group of customers who are more than just loyal—they are bonded to the brand. Once these select companies have built a critical mass of customers who have bonding behavior, they enjoy benefits which most brands could only dream of. They get massive social word-of-mouth exposure, they have lower customer acquisition costs and marketing budgets, have lower customer service (CS) costs (or none in the case of Google), they can enter new market areas, and so forth. The most remarkable example of brand bonding may be Google, which not only doesn't do any marketing (in the traditional sense) but also doesn't have any customer service; and, yet, Google still has a large cadre of users who are passionate about their value proposition and have a powerful brand relationship.

Bonding, the highest expression of customer loyalty behavior based on experience, will be the standard for successful brand and corporate performance going forward. And brand relationships, the intersection of brand passion and positive customer behavior, have the potential to be even more connected to significant business outcomes.

Business and academic thought leaders have discovered the powerful leverage and impact on marketplace behavior of customer bonding and brand relationships. Major consulting organizations have led the way regarding application and business outcome of bonding. In this time of the requirement for extreme marketing budget accountability, groundbreaking research and analysis has been conducted, in multiple business sectors, which absolutely makes the monetizing outcome case for customer bonding, brand passion, and the linkage which exists between them.

Customer Loyalty Behavior Modeling: What Works in the Real World, What Doesn't, and Why (August 8, 2012)

It seems that there's a model, or a framework, for just about everything in business these days. Organizations and management have been guided by evolving models for over 100 years. They are used for corporate architecture, overall business planning, decision-making guidance (such as strength/weakness/opportunity/threat [SWOT]) analysis), customer lifetime value, innovation, and financial resource allocation.

There have been models for understanding, or endeavoring to understand, human behavior, dating back to Freud, Jung, and, classically, Abraham Maslow (Hierarchy of Needs) and Herbert Simon (Utility Theory).

Formal research on customer opinions has been going on since the 1950s. Much of it had to do with perceptions of product/service quality and satisfaction, engagement, and eventually loyalty and recommendation. For decades, data on these attitudes and feelings was sufficient to provide companies with general insight and direction, and models of customer behavior reflected the focus on perceived emotional and rational elements of value. Customer research has seen its share of models over the past 20 years or so. Without naming names, some of the more prominent ones include the following:

- Model C—an 11-element model which identifies strength of customer relationship with a brand or company based on levels of engagement. In this model, customers can be considered to be in states ranging from full engagement to active disengagement.
- Model I—a model containing questions which identify components of attitudinal loyalty, behavioral loyalty, and customer value
- Model N—a "one number," or single question, metric which hypothesizes that revenue growth can be achieved by understanding, on an aggregated basis, the level of recommendation customers give to a brand, product, or company
- Model M—a complex model which contains loyalty "ingredients," such as marketplace factors (availability, price, and so forth), individual customer differences (risk aversion, variety-seeking, and so forth), experience attributes (sales channel, service), and measures of intention and past behavior
- Model W—a model based on 1994 academic research which identifies attachment driven by the degree of customer conviction about the product or service, and perceived product or service differentiation. The model segments customers based on multiple states of attachment and purchase.
- Model S—a model which considers customer behavior from the perspective of the competition in the marketplace, based on opportunities and barriers that the competitors present to customers

By the early 1990s, control of brand and supplier selection had shifted away from companies and moved to consumers, a result of several pivotal, converging factors:

1. Growing Internet penetration and mobile device usage, as communications enablers.
2. Oversaturation of "push" advertising and promotional messaging through traditional mass electronic and print media.
3. Heightened public distrust in the honesty and authenticity of corporations, in both B2B and B2C business sectors.

This was a major, seismic change in the way businesses regarded customers, and the nature of information needed from them. Significantly, none of the models cited above took these changes into consideration. Instead, they continued to view the customer through a lens where the company controlled, or at least managed, customer decision making rather than the other way around. These models did not incorporate the customers' ownership of company and brand selection, or what elements contributed to both choice and loyalty behavior.

Beginning around 2000, major consulting organizations began to recognize that these critical changes were likely to have a profound impact on businesses. Instead of relying solely on such historic measures as satisfaction, loyalty, engagement, and recommendation, companies would need to identify and focus on something more contemporary, more actionable, and more predictive of key monetizing business outcomes, such as share of wallet. That "something" was ultimately defined as customer bonding, that is, behavior driven by a strong relationship and bond with the preferred brand and active, voluntary online and offline word-of-mouth on behalf of that brand.

The consulting companies conducted many insightful bonding studies, issuing statements such as the following:

Advocacy is a deeply-rooted, emotional connection which relies on trusted, effective non-traditional communication and engagement channels.

Word-of-mouth is the primary factor behind 20 to 50% of all purchasing decisions. And its influence will probably grow.

Leading companies want to build strong bases of loyal profitable customers who are also advocates for the organization. Advocates spend more, remain customers longer, and refer family and friends, thus increasing the quality of the existing customer base and new acquisitions.

We predict that customer advocacy will be the new focus for business leaders. Customer advocacy will become the single most important initiative that cutting-edge, forward thinking companies will adopt.

Having identified the power of customer bonding to influence the customer's own behavior and the behavior of others, the next challenge was to create, and prove the effectiveness of, a state-of-the-art research metric, or framework, for measuring and leveraging it.

So, customer bonding, as identified by these consulting companies, could now provide organizations with many valuable business outcome benefits. This new consumer influence also meant that market research companies would need to evolve beyond historic methods of interpreting customer attitudes, and determining how those attitudes could impact behavior, to incorporate drivers of customer bonding. Some new models were created, principally to evaluate emotional connection; however, in general, the risk-averse market research industry has been slow to awaken to the new realities of customer decision making represented by customer bonding. Or, they have applied more benign behavioral definitions, such as "customer engagement."

Bonding, principally based on customer word-of-mouth and impression of the brand or vendor, has tremendous power and potential to create desired high-end customer behavior. Word-of-mouth, however, is a double-edged sword; and customers' negative communication, as much as praise, can have a damaging effect on other customers and non-customers, as well as the communicating customer himself or herself.

Bonding segmentation research and analysis offers a number of value-added benefits:

1. Based on actual past behavior, it is perhaps the most reliable barometer and predictor of customer behavior available.
2. The ability to blend attitudes with positive and negative word-of-mouth and emotional brand connection, creating customer groups whose behavior has direct linkage to business outcomes.
3. Enables action prioritization of image, performance, and messaging factors to optimize advocacy and loyalty, and to minimize alienation.

4. Application to any customer segment (demographic, dollar value, product, usage frequency, and so forth) in virtually any industry, and any value or experience delivery component (such as customer service). Can be applied to transactional, brand and communication, and strategic relationship studies, offering both independent topic and conjoined research.
5. Identifies strength of brand franchise in the marketplace, especially in monetizing factors, relative to competitors.

As concluded in a Peppers and Rogers 2011 white paper (*Cultivating Customer Advocates: More Than Satisfaction and Loyalty*): *The benefits of building advocacy can't be ignored. Satisfaction and loyalty are important, but they're old news. It's a new dawn in customer experience strategy, where the customer controls over 50 percent of the brand message. Forward thinking companies will be the ones that identify and work with their customer advocates to genuinely build trust in the brand, the customer base, and the bottom line.*

Section Summary and Perspective

Few elements of customer experience and behavior management have received so much scrutiny, or created more controversy, than performance measurement and metrics. Fairly recent models, and metrics like NPS and CES, have entered the research market positioned as contributors to, or surrogates for, level of brand and value performance, each having significant challenges in terms of granular actionability. Further, these don't adequately represent the presence or power of informal offline and online content in the lives, and decision making, of consumers.

Behavior measurement must, as well, take into account the impact of emotions and relationships on brand favorability and customer loyalty. And, it must also move beyond traditional approaches to research which focus on attitudes, and then infer downstream marketplace action based on these tactical and superficial opinions.

Finally, the end goal of performance research must move beyond satisfaction, retention, loyalty, engagement, and recommendation. To do so means accepting customer–brand bonding as representative of the new dynamics of consumer behavior.

CHAPTER 4

Big Customer Data

Management Overview

The essential concept of data (big, small, transactional, structured and unstructured, modeled and predictive, and so forth) is neither new nor unique. However, the attention to, and focus on, challenges associated with "big data" has grown to the point where key elements of its relevance—accuracy, quality, analytics, monetary value, and so forth—are being called into question. Companies need to have the right, high-quality customer-related data, which is consolidated from multiple sources into a single view. Then, to build or sustain customer centricity, those data need to be managed, analyzed, and reported to best, and most monetizing, effect.

Example of Big Customer Data Actionability: At-Risk Customers

Customer risk is one of the most important, and most overlooked, elements of the customer life cycle. There are many data sources for identifying potential customer churn; and there are also multiple actionable applications for such information: service and overall experience processes, employee performance, and so forth.

Insights Lost from Dropping Loyalty Programs

As the desire for, and understanding of, customer data continues to increase, there is also evidence of prominent retailers eliminating the loyalty programs which not only reward their best and most active customers but ensure the flow of data for ready evaluation. In sum, the data produced by loyalty programs is not seen as contributing to return on investment (ROI). This is reflective of insufficient analytical capability on the part of the organization eliminating its program.

Costs Associated with Low-Quality Customer Data

With the proliferation of customer data available to marketers, data quality has become an extremely important issue. Data must not only be complete and accurate, and consistent as to source, they must be relevant and easy to use and combine into data streams. The errors can range from duplicate names on files to poor merge–purge software. Many companies are utilizing frontline staff to conduct data quality checks; however, this is inefficient; and the responsibility can be handled more efficiently and less extensively through linkage software.

Correlation Is Not Causation

Organizations assume that statistically valid relationships between one set of data and another mean that they are correlated. This logic flaw applies in all areas of customer centricity: employee satisfaction and engagement relative to customer behavior, and, especially, connections between customer attitudes and behaviors. Rather than rely on correlation, there are advanced forms of predictive analysis which will identify behavior patterns on a micro-segmented customer basis. In addition, more extensive testing of branding, product, and communications concepts is actively encouraged.

"At-Risk" Customers: Do You Have a System for Identifying and Stabilizing Them?+ (September 23, 2013)

About a decade ago, my consulting colleague Jill Griffin and I identified seven distinct customer life stages for our 2001 book, *Customer WinBack*. These life stages, or components of the life cycle, could be applied to customers of any type, and any size of enterprise. We considered the most serious, and potentially impactful, of these to be customers to be those "at risk." These customers have a proven high probability for defection. A decade later, that perspective hasn't changed. Because the average company loses between 20% and 40% of its customers a year, isolating drivers of risk and stabilization (i.e., repairing and rebuilding the relationship) is a priority for any enterprise.

We identified multiple causes of value, or trust, breakdown leading to the stage, or state of risk. It could be a negative transactional outcome with the supplier of the product or service, or a series of them (at least as perceived by the customer), or any of several factors that can impact favorability levels, with the result that the "secure" customer will begin to exhibit specific behaviors and actions that indicate a weakening of the relationship. The sooner intervention begins with an at-risk customer, the easier and less expensive it is to fix the problem; so, it is clear that the best plan is to have a system for identifying these customers. That said, many companies have no such system, or even a basic risk-pulse process, in place.

Here is what we recommended for a first-alert information system that receives input from a variety of "nerve centers" throughout the organization, and also outside. Some of these are reactive, providing insights after the fact. Some are more proactive, helping anticipate trouble spots and problems looming on the horizon that may adversely affect customer loyalty. Some are big data related, and can be uncovered through basic analysis. Some are more individualized and require greater sophistication and sleuthing capabilities. Some are both. These include the following:

1. Purchase and use data—declines in purchase or use activity represent proof that customers are spending elsewhere, and are a defection risk.
2. Listening posts—relatively few customers, whether B2B or B2C, actually complain. But internal (frontline employees) and external (social media, ratings, and so forth) posts can provide useful information.
3. Customer transactional and relationship research—can keep track of perceived performance (such as changes over time) with customers overall, as well as with specific customer groups and individual customers.
4. Accounts receivable—"short payment" and slow payment are tripwires to customer discontent and risk.
5. Customer network—querying, or debriefing, advisory boards and online communities can uncover areas of concern.
6. Churn modeling—advances in data mining software have enabled more companies to apply sophisticated churn algorithms, evaluating the interplay of multiple purchase and behavior variables to uncover

defection behavior and proclivity patterns that might otherwise go undetected.

7. Account event milestones—firms like banks, credit card, and insurance companies have discovered that certain milestones—such as renewal dates—can trigger risk and relationship reconsideration.

Perhaps the most leveraging element of both risk and stabilization in customer experience is interaction with employees. Beyond employee engagement and its somewhat tangential influence on customer behavior, employees have the capability to be "ambassadors of value," as well as conveyors of insight. If they are proactive, involved, and committed on three levels—to the company, to the value proposition of the company's products and services, and to the customer—then risk can be mitigated and the solid relationship, leading to customer loyalty behavior, can be regained.

And, how can the various data points from this RIS, or Risk Insight System, be analyzed, applied, and leveraged to reduce churn? Answer: In virtually every way that can be conceived, including support staff hiring, training, and motivation; service process modification, improvement, or both; customer support proaction and outreach; messaging and communication; product/service repositioning or design enhancement; array and availability of contact channels; and so forth. Perhaps the most important of these is reshaping the culture around customer centricity and employee ambassadorship.

Seduced and Abandoned Customers…and Lost Insights: Dropping Loyalty Programs and the Data Value They Represent (and Making Excuses for It) (July 16, 2013)

Earlier this month, my customer experience colleague Colin Shaw wrote an excellent, insightful blog about the actual customer value that is, or isn't, inherent in loyalty programs.[1] My response in support of Colin's perspectives was that, as in virtually any worthwhile relationship, there must be mutually beneficial value which, to the extent possible, is both targeted and personalized. Just having a company's loyalty card (Figure 4.1), per

Figure 4.1. A company's loyalty card means relatively little unless it is beneficial to customers.

his post, means relatively little unless customers both understand the program and see reward for themselves through active participation.[2]

I also noted that companies behind the loyalty program, likewise, need to see value for the enterprise (in the forms of new customer attraction, product/service differentiation, "barrier to exit" customer retention, data to leverage, and profitable performance) as well as the customer. We've seen with some UK supermarket chains, and more recently Albertson's, Acme, Shaw's, and Jewel-Osco (sold by Supervalu to Cerberus Capital Management in March) that there is a growing tendency to abandon the loyalty program—definitely a risky, and potentially very commoditizing, move—in favor of, as Albertson's has told its customers "offering great prices to everyone." What happened to personalization and tiered customer benefits? For customers, there's something approximating "bait and switch," diminished treatment in this move. So much for targeted, personalized customer value.

In this era of big data generation and leveraging insights to create greater customer value and loyalty behavior, Cerberus has made a strategic decision in the opposite direction. The loyalty programs for these former Supervalu chains were pretty superficial and generic, focusing principally on discounts; and, as in the case of Shaw's, a major value and experience makeover was deemed more of a priority than endeavoring to mine and apply the data coming from the program.

Greg Girard, marketing strategies and retail analytics program director at IDC, said that shoppers "have been defecting from Shaw's for fundamental reasons—high prices, dingy stores, and poor customer service being the most pressing." As Claudia Imhoff, president of Intelligent Solutions, commented: "I don't think they have the analytical prowess to use the information that's being given to them, and that's a shame."

The lessons here are:

1. that the loyalty program has little or no value for customers if it is non-engaging and represents little benefit, beyond just saving money; and
2. that the loyalty program has little or no value for the company sponsoring it if the data collected are not used to improve customer ROI, and all the organization is doing is throwing resources into something that's expensive and unproductive.

Claudia Imhoff wisely concluded: "We need to get analytics to a point where it's easy to use and the cost isn't prohibitive. And, we have a little bit of education to do with low-profit businesses so that they can see a return on investment quickly and in a tangible way." For Shaw's, the priority now is to first solidify the behavior of its customer base, or so Cerberus appears to believe. "Fundamentals are the cake of customer loyalty; personalization is the icing. Cerberus has to bake the cake of customer loyalty from scratch -- and in a hurry," IDC's Girard said.

The High Cost of Low-Quality Customer Data—Or—Why Does My Wife (Still) Get (So Many) Duplicate Catalogs?+ (June 9, 2013)

First off, let me admit something: in my household, we do our share of direct response shopping, via Internet and mail catalog. A wrought iron floor lamp from Morocco and a wall clock from France for the kitchen, flexible thumb picks for me to play my baritone ukulele, a cast brass walking stick holder from New Zealand for the foyer…well, you get the idea. As a result, our family, especially my wife, gets a ton of catalogs and other promotional content. Not a week goes by that she doesn't get two of the same catalog, one addressed to her name when she was previously married and one addressed to her name now. Even though we've been married for many years, these catalog companies are obviously using databases that are neither clean nor current.

Clean and current data are but two aspects of data quality. According to the Navesink Consulting Group, data are of high quality "…if they are fit for their intended uses in operations, decision making, and planning." That means the data

- are free of defects: accessible, accurate, timely, complete, consistent with other sources, and so forth;
- possess desired features: relevant, comprehensive, proper level of detail, easy to read and interpret, and so forth.

Using these criteria, even in this era of sophisticated merge–purge in the name of better, more efficient marketing, no customer database is error-free; and the high level of erroneous data has become a high-cost problem for suppliers and an annoyance for customers. In a recent study, close to 80% of consumers polled said they dislike receiving duplicate pieces of mail for the same promotion. But, names can also be misspelled, or mail pieces can be sent to former residents or the wrong address. High-quality data and the sophisticated statistical techniques to analyze this information are absolutely essential for successful customer programs and processes. Everything is potentially important in customer relationships—historical purchase data, essential demographics, and life style characteristics—so suppliers are becoming increasingly concerned.

The range of estimated errors in most databases is quite broad. I've seen percentage figures that go from the low single digits to 40%, and higher. Errors can come as a result of keying errors, misheard names and addresses, or straightforward multiple entries of the same data. They can also arise from poor list merge–purge programs, errors when data streams are integrated, infrequent cleaning, and so on.

Costs associated with poor data quality go well beyond the easily identifiable, and obvious, waste from mailing duplicate merchandise catalogs. They include dealing with customer complaints caused by data errors, and the staff costs involved in checking databases, finding missing data, and fixing incorrect data. Order entry staff, for example, may spend up to 25% of their time performing these tasks. In a company with 40 people on this staff, that would equal 10 effort-years annually. Further, if the loaded cost for each of these staff members is $50,000 per year, the annual cost associated with data errors—in just this one area—would be $500,000!

Lutheran Brotherhood (now Thrivent Financial for Lutherans), a member-owned fraternal benefits organization (mutual funds and annuities, insurance, estate planning, college and retirement programs, and so forth), has several million member names and addresses spread across several product and service line databases. In addition, they have millions of names in their prospect database. Several years ago, they often ran into customer service problems, one of which centered around delivery of their bi-monthly magazine. If a household had multiple members, and they requested multiple copies, there were questions about why they were getting only one copy. Also, like my wife with merchandise catalogs, the same member might get multiple copies of the magazine even if they should have received only one.

The organization was principally using frontline staff to rectify member data quality problems, but this was both expensive and inefficient. They undertook a process to centralize all member information into one database (customer data integration), so that employees would have a complete view of their members. This was a proactive and positive first step, but it didn't eliminate the bigger problem of duplicate names and addresses. Staff were still responsible for the name file searching and matching process, functions that were costly, time-consuming, and negative for morale. According to a senior business analyst for the organization: "We were spending too much time entering and cleaning duplicates."

They solved this issue by using advanced linking software to de-duplicate member and prospect names from the organization's database. Their entire file can now be cleaned for duplicates in just a few hours. Much of the problem surrounding magazine delivery evaporated as a result.

Data quality upgrade efforts such as these are usually transparent to customers, and they should be. The real rewards of higher quality data, however, are improvements in areas of customer relationships such as service and market research, and greater efficiency in marketing and other customer-related processes, making customer relationship management (CRM) and customer experience management (CEM) activities more productive and consistent.

I haven't even mentioned that the lack of personalization and overall data quality sends many bland and untargeted e-mail promotions our way. This is another major data management, customer experience, and marketing communications effectiveness issue, and it's extremely important in building and sustaining relationships, as well as controlling costs—but it's a topic for another day.

Correlation Is Not Causation: Big Data Challenges and Related Truths That Will Impact Business Success+ (February 4, 2013)

For years, social scientists and consultants have warned the corporate world about making too much of correlation analysis, the simple regression technique which shows the relationship between one set of attitudes or behaviors and another. As an example, "The Service Profit Chain," a model developed by three Harvard professors in the 90s, is generally summarized as happy employees = happy customers = happy shareholders. In other words, at the core of effective employee engagement is the tacit belief that there is a direct relationship or linkage between higher employee satisfaction and customer experience. And, as found by noted customer experience expert Frank Capek, though elevated levels of customer service, and also increased profitability, may result from enhanced employee engagement:

> *Just because employee satisfaction and engagement are correlated with customer satisfaction doesn't mean that making employees happier will lead to better customer experience. This is one of those classic traps your college professors warned you about: confusing correlation with causation. I've observed that this flaw in logic has led many organizations to invest in trying to make their employees happier in the hope that those happier employees will turn around and deliver a better experience for customers. We've just seen too many companies where, at*

best, more highly engaged employees simply deliver a sub-par experience more enthusiastically.

What is true in the world of employee behavior optimization is, if anything, even more of a fact in the broader landscape of marketing, brand positioning, communication, and customer experience. CMOs, for instance, have relied on correlation as a core analytical approach for connecting basic customer value performance, and the identification of unmet needs, to forecasts of potential sales and profitability. Today's customer, however, is less patterned and more self-educated, more socially connected, and independent thinking; and this sea change has put a great deal of pressure on the kinds of customer information, and analytics, CMOs are used to handling. There are new streams, and types, of data that CMOs will need to understand; and there are also new analytical approaches—getting to key, causative drivers of customer behavior—that will be required for insights into why customers think what they think, say what they say, and do what they do.

This is, to a great extent, where "big data" comes into play. Marketing has always had some volume of available macro quantitative data, such as customer profile, purchase history, ad hoc research, historical brand and transactional tracking reports, and so forth—for looking at decisions involving target audience, new products and concepts, value proposition, and competitive positioning. That said, marketing management and the cultures in which they function have also historically relied more on the conventional wisdom brought about by their own experience and instincts, creative concepts under consideration, and engaging communication.

Customer data analysis, where applied, has largely been of the straightforward correlation or cross-tab type, for evaluating simple, core business elements. In sum, marketing has been more about supporting big ideas than having objective, insightful information. Now, with the kinds of analytical tools which are emerging, marketers can crunch enormous petabytes and terabytes of data from the sources just identified, plus third-party statistical information exchanges, and public and industry statistics, to create all manner of fascinating correlations (Figure 4.2). The worthy goal is to identify connections, or data stream correlations, between one set of customer information and another, in ever smaller and smaller audience micro-segments so that marketing dollars can be more effectively spent.

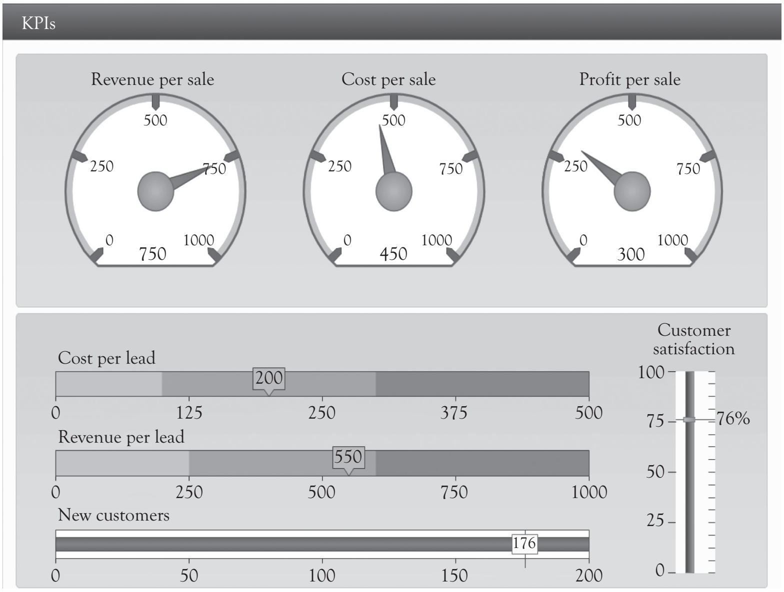


Figure 4.2. Analytical tools crunch a large amount of data to create highly actionable insights.

This is where users of such data need to exercise care. Correlation is not causation, and the insights produced by big data analysis tend to be only directional, tentative, and preliminary. Even though big data are more complete, and more available, than ever before, there are often missing elements in databases, plus disruptive, or confounding, factors which can compromise data quality. Another way of saying this is that correlation analysis of big datasets generates results that should be seen as more hypothetical than actual; so there is little assurance that any correlations uncovered by big data will directly influence customer behavior.

Rather than serve as an unchallenged platform for decision making, a better use of the insights spun out by big data analysis, and especially correlation analysis, would be to distill the results into testable value propositions. A marketing, and corporate, culture built on testing and controlled experimentation leads to more financially sound, proof-based, answers which will truly help grow the business. Testing of ideas and concepts certainly isn't new, but it needs to become an enterprise mantra. Leading companies have already embraced testing and experiments as the fuel for an engine of success.

Section Summary and Perspective

Though multiple streams and sources of product and customer information have been with us for some time, "big data" gets a tremendous amount of attention. This is because big data has become a catch phrase for the sheer volume of information in datasets now available for business intelligence and decision making. Over the past 20 to 30 years, business's ability to generate transactional, interactional, and observational data has moved from basic structured (in SQL databases), to semi-structured, and now to unstructured data generation and mining. It is estimated that, each day, 2.5 quintillion bytes of data are created (so much that 90% of the information in the world today has been created in the last 2 years alone).

Data can come from traditional sources, such as research and customer purchase records and databases, and new unstructured sources, such as e-mails, posts to social media sites (Twitter processes 400 million tweets every day), digital pictures and videos, cell phone GPS records, and so forth. Cisco has predicted that, in 2013, information flowing over the Internet would reach an annual volume of 667 exabytes, 2.6 million times the amount of information stored in the Library of Congress.

Today, companies are challenged as never before to harness the volume, variety, velocity, and value, of big data as waves of information flow into the enterprise. The opportunity presented is to provide the business with greater marketing and brand-building decision-making flexibility and agility, and to address issues that were previously beyond the scope of most organizations.

So, data represents opportunity—to improve processes and customer experiences, to develop products and services with higher value, and otherwise make monetizing changes that will resonate with customers. One application, for example, is reducing risk leading to potential defection, perhaps the most important stage in the customer life cycle. It's critically important, however, that all customer-related data be a continuous flow, so that actionability is targeted and in as real time a fashion as possible. As pointed out in this section, elimination of a loyalty program, and the customer data it produces, seriously jeopardizes a company's ability to take value-driving action. It's also very important that the generated data be of high quality; otherwise its utility is seriously diminished.

Finally, with respect to analysis and actionability, organizations should have a grasp of the most contemporary, and most useful analytical techniques. Otherwise, even the most complete reservoir of customer data can take an enterprise in the wrong direction.

CHAPTER 5

Customer Strategy and Tactics (Branding, Communications, and Relationships)

Management Overview

Building and sustaining a customer-centric culture is core to successful enterprise performance. However, once the basic architectural and engineering components are functional—or, in concert with their functionality—organizations must make certain that their strategy and tactics for optimizing customer experience, and downstream behavior, are both contemporary and effective. This includes elements of branding, messaging, and communication, and maintaining strong, value-based relationships.

Content as a Driver of Customer Behavior, and What This Means for Marketers

Increasingly, instead of accepting advertising and promotional material as honest and representative, consumers are relying on information they acquire through offline and online means for making brand and product decisions. Largely, this has been facilitated through informal Internet sources, but also available via mobile communication. One segment of content that has proven to be particularly valuable and effective is video, in part because it is easily available and very engrossing. Video is, as well, the fastest growing component of marketing content. Content, however, must be relevant, that is, built on an understanding of customer needs and wants; otherwise it has diminished utility.

Brand Influence Comes More from Offline than Online Content

Continuing with the theme of content influence, though online social media has seen significant growth and involvement among consumers, it continues to have only a fraction of the influence of informal offline word-of-mouth. Trust is a key issue; and, though use of, and involvement in, online social media as a decision influence is increasing, consumers rely on their ability to discern and distill what is available through online communication media.

Customer Experience Management Can Create Layered Loyalty Behavior, Somewhat Like Tree Rings

Consumer loyalty behavior often develops in layers over time, rather like rings of a tree. The outer rings represent the most recent experience or transactions. The middle layers are more strategic, and represent perceived value over time. The center, or heartwood, represents the core of supplier reputation and trust. Even though loyalty development may require some time to build, it's possible to decrease it in a much shorter period of time.

Building Trust into the Relationship

Perceived sincerity and integrity in the customer and employee relationship with an enterprise is essential to optimizing experience and behavior. The traditional approaches to building trust, namely, product centricity, non-differentiated and commoditized elements of value, and passive insufficiency of value delivery will challenge organizations to succeed. Building a "bank account" of trust in relationships with stakeholders, through investment and effort, will pay off. Withdrawals to the trust account can also be made; and, it is difficult to recover when that occurs.

The Rewards of Bonding-Based Customer Relationships

Optimizing customer behavior has gone past traditional concepts like loyalty. The strongest expressions of performance are now advocacy and bonded relationships. Bonding is based on brand favorability and word-of-mouth, driven by personal experience with a product or service; and it is a significantly different, and more contemporary, approach for understanding what drives customer purchase. Degree of bonding is a function of trust levels coming from multidimensional exposure.

Branding the Customer Experience

As organizations, increasingly, endeavor to "humanize" themselves for stakeholders through culture, image, and reputation, one of the major customer-centricity trends is to brand the customer transactional and relationship experience, and make it memorable. Beyond such elements as service, process, channel availability, loyalty programs, and communication, the brand promise must be met and exceeded. Examples of customer experience-centric companies (Trader Joe's, Southwest Airlines, Zappos, IKEA, and so forth) are provided, along with a set of five decision traits of organizations such as these.

Influences on Customer Relationships

Further underscoring the power of consumers to self-direct their relationships with suppliers and their decision making, a worldwide study assessed effectiveness of various communication channels. Organizations want to communicate effectively with their customers and prospects, and also leverage their behavior; but, to do that, consumers need to feel that any information they receive has personal value. Once again, trust was identified as a pivotal communication issue; and it impacted, as well, perceived security and safety of both transmitted and received information.

Dovetailing Advertising and Social Media

To be effective, advertising and promotion must align, that is, be consistent, with online and offline social media. Further, given growing consumer skepticism about company-sponsored messaging, it must be believable, differentiated, and engaging.

The Meteoric Rise of Content as a Driver of Buyer Behavior, Especially Rich Video: What Does It Mean for Marketers?+ (August 20, 2013)

As they are gathering information to help in day-to-day brand decision making, consumers want, crave, desire, seek, and value content from marketers—as long as it is reasonably altruistic, informative, and objective (i.e., tuned to an understanding of customer needs), and minimizes the "look of sponsorship" and the three most readily identifiable sales "Ps": push, pitch, and puff. Estimates are that 9 out of 10 organizations are now utilizing content in their marketing programs, devoting one-quarter, or more, of their marketing budgets to this component of communication.

When we look at the tactics, or types, of content marketers are applying, studies are showing that social media has become the most popular, knocking articles out of the leadership position. Print magazines, still actively used, have remained about the same in terms of percentage of marketers including them in their content program. Research reports, presentation content through online sites such as LinkedIn-owned SlideShare (which gets close to 60 million visitors a month and has over 15 million registered users), and virtual conferences and webinars have seen significant increase in application. If the content available on this source lacks basic understanding of customer needs, it also has a high likelihood of failure (up to 80%, per some studies).

In addition, consumers themselves are contributing to the explosion in available content. There's social media, of course, in the form of microblogs and blogs, but also community involvement, articles, and product and service ratings. One piece of evidence for how quickly consumers have become more active in generating content is the morphing of Jackie Huba and Ben McConnell's "90/9/1 rule," where 1% of consumers using the Internet were actively blogging and posting other types of content, 9% of consumers were commenting on the content, and 90% were just observing this activity, also known as "leering" or "lurking." According to studies, it has now become the "70/20/10 rule," where 10% of Internet users are posting, and 20% are commenting. The 70% who are just observing is declining all the time, as more people dive into the deep end of the consumer-generated content and comment pool.

The element of content getting the most attention—and the greatest year-to-year rate of increase—is video marketing, also known as rich video. Why and how? Cisco anticipates that video will represent 70% of consumer Internet traffic by 2017, up from 57% now. For example, YouTube is actively used as a source for consumer content. It's the third most visited site in the world and the second largest search engine. That's a lot of people getting information. YouTube is also set up to facilitate easy sharing. In addition to YouTube, videos are available in other venues on the Internet (Instagram and Vine), plus mobile and TV. Videos have been found to be four times more engaging than static content, and three-quarters of C-suite executives view industry videos online at least once a week. *Note:* Like other forms of content, video can also fail if not customer-focused.

Video creates consumer involvement, conveys rich information, and builds an emotional connection with a brand or company, often through advanced neuroscience approaches. And, video is an excellent, highly productive marketing tool. In one study, it was found that video embedded in an e-mail improved campaign effectiveness by 88%, click-through rates by 76%, and disposition to buy by 72%. In another study, embedding video on site landing pages increased conversion rates by 80%.

Beyond video, there's documented proof of how all elements of content can effectively leverage customer behavior. The ongoing challenge for marketers is to not be tempted into overloading their content with overt sales or promotional propaganda, because that can quickly erode consumer trust.

Marketers Seem Smitten with Online Social Media's Reach and Power, but Real Brand Influence Comes (Principally) from Offline Word-of-Mouth+ (August 12, 2013)

In this time of X Box, Wii, HD, PDAs, iPads, and sophisticated cell phones, the Internet is the acknowledged great, central enabler of social media. Nothing during our lifetime has so influenced the way people live their lives as the Internet.

Brand marketers, especially those representing food and drink products and consumer packaged goods, have dramatically increased their word-of-mouth marketing spending, especially online. They are actively creating new communities of product and service users, whose principal purpose is to spread the word and, hopefully, influence consumer behavior. Even so, word-of-mouth, through online social media, remains a fraction of the overall advertising and marketing budget.

A phalanx of consulting organizations has evaluated the role of the Internet in our day-to-day existence, and, at the same time, creating sea changes in traditional medial channels. One such study was conducted by Fleishman-Hillard, a major PR firm. Their study is particularly important in that it represented almost half of the global online population, with respondents in France, Germany, United Kingdom, United States of America, Canada, China, and Japan. Fleishman-Hillard evaluated influence; however, their definition of influence was not impact on purchase behavior, but the amount of time consumers spend on each communications medium and the degree of importance each medium has in their daily lives, particularly in their perceptions and attitudes.

Their study revealed several key insights:

Though digital communications dominate in terms of its use as a medium of conveying information (roughly twice that of television, and ten times that of print media), relatively little is spent in real marketing dollars. As consumers continue to shift their methods of communication, companies will need to rebalance their media mix so that it is more aligned with what customers are doing.

Asia is on the march as a digital power. Chinese use of the Internet has seen significant increase over the past few years. At 330 million users, they now represent an entity larger than the population of the United States of America. Combined with India, the Internet-using population is over 500 million (and is expected to grow by over 700 million by 2015, according to a McKinsey study). In addition to their numbers, Chinese Internet users are different as well, with much heavier researching, and expression of personal views through online social media.

Malaysia, however, won top prize for Internet use, especially where social media are concerned: though the country has only 15 million Internet users, this represents almost 60% of the population

> (and McKinsey forecasts that this will rise to 25 million, or 80% of the population by 2015). Malaysians are active users of social media sites and instant messaging, consuming 35% more digital media than Internet users in China and 150% more than those in India. India, with only 7% of the population having Internet access, is anticipated to grow to 28% penetration by 2015; and they are heavy users of e-mail and downloaded videos and music.

Digital communications impact decision making, especially its facility as a resource to compare options, and to identify expert and peer advice which creates greater confidence. Especially important here is the role of search engines, which often serve as information research launching points. This is where showrooming begins.

Online information-sharing is also coming to be seen as somewhat dangerous, or having the potential to be damaging due to security issues. As more and more people use online social media and generate content, over half of the respondents in Fleishman-Hillard's study felt that people share too much personal information online, and over one-fifth felt that expressing personal opinions online could have a negative effect on their reputation, career, or financial well-being.

Trust is a critical social media issue. It's one of the key reasons why mass advertising and promotional communication is something of the past. Consumers no longer trust information shoveled at them through a few large channels, and are far more interested in retrieving content from sources that they select and cross-checking for accuracy.

Though there is increased usage of online postings, as a starting point, to glean information on the experiences of others, there is also increasing skepticism. The Fleishman-Hillard study found that 39% believe it is safe to communicate with others online, but 19% felt it was unsafe to do so. We can conclude that, insofar as online dialogue is concerned, consumers are "cautiously trusting."

Mobility in countries like India and Malaysia is a fact of life, and there is active use of mobile applications on PDAs and smart phones. In the United States of America, Canada, Germany, France, and the United Kingdom, however, actual adoption of these applications remains fairly low, with almost one-quarter of respondents admitting that they don't use the full range of features available on their phones and mobile devices. Among the biggest gaps is the use of e-mails for communication and access to the Internet.

Fleishman-Hillard concluded that, in most countries, the Internet is just beginning to be an influential tool for peer-to-peer communication. Many consumers felt that the Internet would continue to increase in importance and influence, with Chinese Internet users giving the strongest endorsement to this perception.

Much of what transpires on online social media, the interchange between individuals, is what sociologists call "phatic" dialogue, which is content like "Where should we meet for lunch?," "Do you like my new glasses?," "How are you feeling today?," "Did you see the Phillies game last night?," "I'm going to the zoo next week with my grandkids," and the like. Where there is online brand-related communication, it mostly revolves around customer experience and customer service.

A study of consumer use of social media by Nora Ganim Barnes, a Senior Fellow of the Society for New Communications Research, showed that, when customers are considering purchase of a product or service, about one-third said they went to social media sites to learn about the customer care offered, and about half of them take customer care, learned about online, into consideration. Online social media was among the less frequently used online sources, well behind search engines and online rating systems. Microblogging sites like Twitter and Oownce, YouTube, and social networking sites like Facebook were seen to have relatively little value as trusted sources of information leading to brand decision making.

The use of social media for at least contributing to consumer decision making, though, does seem to be increasing. Social media is, if nothing else, becoming a marketers' tool for using two-way dialogue to deepen customer relationships. Though often defined as a set of tools and technologies—blogs, wikis, podcasts, and social networking sites—for people to have conversations with one another, advanced companies are using, or beginning to use, social media to engage customers and build enthusiasm for its products and services.

Informal communication monitoring organization Keller Fay reckons that there are 3.5 billion word-of-mouth conversations each day in the United States of America, and two-thirds of these involve product and service brands. Their studies, like those of consulting organizations such as McKinsey, show that word-of-mouth has the dominant influence on customer decision making. Their data, collected through online surveys of consumer panelists who are 13 through 69 (700 per week, 36,000 per year) and covering word-of mouth in all categories shows the following:

Word-of-mouth is mostly positive—63% of brand references are positive, compared to only 9% that are negative (but, it's the negative that gets most attention).

Word-of-mouth has impact—About half see high credibility, are likely to pass information along to others, and are likely to purchase.

In addition, their studies repeatedly show that most of the brand-related informal word-of-mouth takes place offline. This may change in the future; but it's a present reality. So, while online social media may stimulate and even facilitate customer decision making, offline word-of-mouth continues to dominate influence. This reality, among all demographic groups, must receive attention from all organizations which include informal communications as an element of their marketing program.

Just Like Dendrochronology: Creating Tree Rings Around Strategic CEM (June 6, 2013)

Science and nature, it turns out, both have a lot of application to CEM. Everyone who has ever taken a marketing course, or been exposed to marketing literature, is probably familiar with Abraham Maslow, a great social scientist. In the late 1960s, it was Maslow who developed a hierarchical, or layered, theory of human needs and values. Maslow focused on human potential, believing that people go through stages to reach their highest levels of individual capabilities (just as in nature and evolution).

For me, and likely for many customer experience strategists and marketing practitioners, there are parallels to Maslow's ideas of moving through basic needs to the highest level and what we are endeavoring to achieve with customer loyalty behavior optimization. The metaphor is easy to see in dendrochronology, the rings and layered composition of a tree, which also has a lot to do with time (see Figure 5.1).

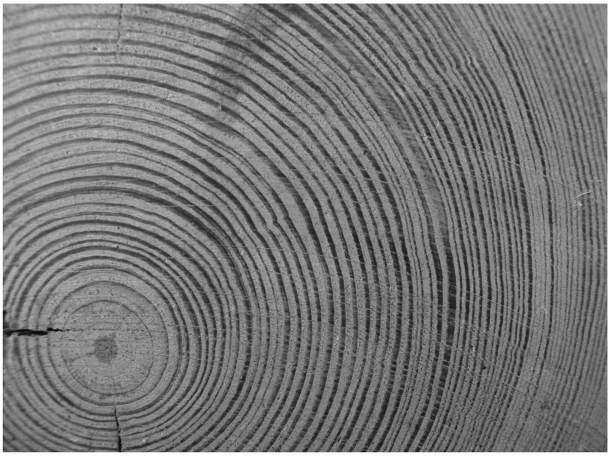


Figure 5.1. Like the rings of a tree, consumer loyalty develops in layers with the passage of time.

The Bark and Outer Rings—Most Recent Product or Service Experiences/Transactions

A supplier is the most exposed during the latest encounter or transaction with a customer, whether online, offline, or both. If customer–supplier involvement could be "viewed" the same way we look at a tree, it would be the Outer Rings or Bark, what is seen first when encountering the tree. Whether that transaction is a purchase, service experience, or communication isn't particularly important. What is important is that the customer's top-of-mind, tactical attitude about a supplier will certainly be affected by the most recent involvement.

As a result, the positive or negative impression left with a customer has both tactical and strategic implications. Tactical, because the attitude tends to be superficial and short term, and largely driven by what happened in the immediate past. Strategic, because if not either reinforced (positive transaction) or proactively and quickly addressed (negative transaction), the impression is likely to have deeper, longer-term engagement, belief, and behavioral implications for a supplier.

Without reinforcing a positive transaction, this can create a vacuum in the relationship; and the customer may be left to feel taken for granted, especially if an assertive competitor is working to create a relationship. If the negative transaction isn't quickly and sensitively addressed, the customer may be looking for, or at least may be willing to consider, an alternative supplier.

Those of us in the customer experience evaluation and consultation industry, who measure the loyalty behavior effect of transactions and transactional components, find that we must look at them from both tactical and strategic perspectives: tactical, because our research can help groups like customer services or sales identify areas of process and relationship management "trigger points" or "moments of truth" which can be improved; strategic, because there may be direct linkage between these encounters and real loyalty. The strength of that linkage must be determined if a supplier is to optimize customer experience.

So, if endeavoring to understand the impact of the last, or most recent, transactions, both current and former customers should be debriefed.

Middle Layers—Building the Relationship/Creating Long-Term Perceived Value

Here, once the relationship has been established, we are concerned with the supplier's ability to deliver and provide perceived customer value within specific products and services over time. We are also focused on understanding the strength and vitality of the relationship, and the opportunity to build on tactically created value.

When addressing measurement protocols in the middle layers, we're principally interested in brand preferences and choices, plus performance over time. Consequently, we ask current customers about the following:

- Perception of supplier (and key competitor) performance in key areas, and importance of those areas, also including elements of reputation and image
- Likelihood to use the supplier's products or services in the future
- Level of favorability regarding the current supplier, and competitive suppliers
- Evidence (and frequency) of having communicated to others, positively or negatively, about the value received, irrespective of medium
- Likelihood to consider the supplier as the primary source for a product or service, or exclusive source

Likelihood to recommend the supplier
Evidence of performance change over time
Evidence of expressed and unexpressed complaints

The middle layers are where most customer loyalty researchers direct their efforts, principally because that's what senior management, sales, marketing, service, and related functions want. However, as indicated above, there's a great deal more to learn at this level than just degrees of satisfaction with the supplier and competitor, or likelihood to recommend. This is where bonding behavior begins to take shape.

In the middle layers, we can identify both improvement priorities and potential program initiatives for enhancing ties and perceived value with these customers.

Heartwood—Commitment and Advocacy Through Perceived Supplier Reputation/Trust Level

In looking deep into the core of supplier reputation and trust, all customer groups and stakeholders—including staff, investors, and the financial community—must be considered. To understand how the supplier is perceived at this level, in addition to finding out about top-of-mind awareness and salience, familiarity with/comprehension of various offerings of the supplier, and predisposition to purchase or recommend the supplier's products or services (as would also be done at the middle layers), it's vital to determine

how business practices, that is, ethics and basic values, are regarded;
how the supplier is seen as an "employer of choice" by staff, whether they would be recommended as an employer, or both;
the supplier's image in such areas as community involvement, public issues, the environment, and so forth;
deep feelings and emotional attachment to the company of various stakeholders.

Many companies don't delve into customer, employee, and community perception at the heartwood depth; but, deeply held emotional involvement has a great deal of loyalty-leveraging impact. One of our areas of research activity, for example, deals with the level of staff loyalty toward the company, commitment on behalf of the customer and the degree of alignment with the company's customer loyalty objectives. We've found such a strong, causal correlation between customer loyalty and staff behavior through ambassadorship and productivity that such studies are often conducted in tandem to get the most complete picture of overall value creation effectiveness.

There's one last thing to remember about the tree growth—customer loyalty behavior analogy, which applies equally to customer experience, and really to all areas of customer management; it typically takes a long time, and a lot of effort, for a tree to grow and mature, but it can be cut down very quickly or slowly decay without nourishment. Keeping the tree healthy and protected, from the bark to the heartwood, is in the best interest of every enterprise.

Building Trust: It's a Matter of Fairness, Confidence, Authenticity, Openness, Sincerity...and Exceeding "Moments of Truth" Expectations (February 6, 2013)

Billy Joel is one of my all-time favorite musical performers. In 1986, he recorded "A Matter of Trust," a great rock song in which the lyrics described what can go right, and go terribly wrong, in a relationship.[1] A company's relationship with, and desire to capture the hearts and minds of, two of its principal stakeholder groups—customers and employees—are almost entirely built around belief and value, that is, perceived personal benefit. Largely, the loyalty behavior companies get are a direct result of the trust and authenticity they create with these stakeholders.

The dictionary defines trust as "*assured reliance on another's integrity, credibility, objectivity, veracity, and justice.*" Sincere, a related word, means "pure, real, honest, and free of hypocrisy." In ancient Roman times, from its Latin roots, sincere meant "without wax," a bargain between vendor and customer so open and transparent that it did not require the usual seal of wax to complete the transaction or maintain the relationship. The vendor's reputation was sufficient to seal the deal.

Both sincerity and trust are at the heart of partnerships, contracts, relationships, and dealings between people and institutions; and these two words and concepts, along with authenticity and openness, are central to optimizing stakeholder experiences and behavior. As Billy Joel wisely observed in his song, trust is "a constant battle for the ultimate state of control," which, too often, companies want to hold and not share. Then, customer trust becomes "a lie of the mind," in which neither customer nor vendor feels fairly treated. And, seeing the glass as half empty, "After you've heard lie upon lie, there can hardly be a question of why" companies lose customer and employee support, favorability, and passion, leaving the door open for discontent, alienation, and even sabotage to occur.

Trust comes from deep within organizational rules and process execution, and it is built on the customer-related and employee-related vision, values, and mission regarding transactional experiences and marketplace behavior, through communication and purchasing or service. Trust, externally, is best understood as reputation and image.

There are basics associated with trust, such as privacy, consistent delivery of essential elements of tangible value, and building and sustaining a proactive, positive, customer-centric reputation within the marketplace. Building trust in a customer–supplier relationship begins with meeting these essential customer needs and requirements. Briefly, the customer needs one or more elements of a supplier's product or service, resulting in that customer moving from prospective to engaged, "new customer" status when an initial purchase is made. Then, the relationship builds on emotional and rational/functional delivery of perceived value over time, comprising one or more components of the customer's "trust equation."

If any element of trust is received in a less-than-desired manner (including a non-authentic, deceptive, or otherwise negative experience), the relationship can be undermined, sometimes very quickly and sometimes with unattractive, long-term consequences.

Trust has become an essential, differentiating element in creating customer loyalty behavior. In fact, trust may well be the only truly sustainable competitive advantage for an organization. It is necessary, for example, if the supplier is to learn from customers through a free and open exchange of information, offline or online. It's essential in positive customer word-of-mouth and referral, in having customers be resistant to competitive offers, and in having them be tolerant of occasional value delivery lapses. Without trust and authenticity, companies can quickly find themselves back to square one with their customers, where everything they offer—price, design, convenience, service, and so forth—can be easily replicated by competitors.

Many companies endeavor to attract customers and to build trust through a rather passive, commoditized, rational, and product-centric sales and marketing approach to the customer. Such companies often believe that high accuracy, delivery timing and completeness, and other tangible components of value will earn both differentiation and customer loyalty. As a result, they don't adequately determine the customer's real priorities and set of expectations, what the customer wants to hear (positioning), how the customer wants to hear it (preferred communication channel), or how they are going to say it (messaging). This is the traditional "push" approach to marketing, lacking authenticity and engagement; and it often doesn't involve, or minimally involves, the customer in actual planning or dialogue. And, if the company fails to deliver expected value, that is, not doing what they say they will do and not meeting basic commitments and requirements, even using traditional one-way communication techniques, the relationship will inevitably fail.

When challenging economic times put pressure on customers, whether in B2B or B2C, optimizing relationships and perceived value becomes even more important. What is required is close experience management through setting, or resetting, service levels so that they do not degrade from the customer's perception of value and, at the same time, not overinvest (with capital, people, time, or technology) in competency levels not important to the customer.

Trust building does indeed take investment and effort. Companies that rely largely on building a brand pedigree—what they think is product or service uniqueness, pricing, or corporate recognition—are likely to be challenged. Why? This is because these factors have been identified, again and again, to be the least influential in customer purchase decisions. Further, while customers are often willing to provide feedback, and do so, they also insist that companies take action on the input they provide. Increasingly, customers are insisting on a sense of partnership with their vendors or suppliers.

Thus, a "bank account" of trust and belief that the company is acting in the customer's best interest can be built. However, just as bank deposits can be made, so can withdrawals in the form of expressed and unexpressed complaints, and customer defection—and quickly. Just ask Toyota, FedEx, British Petroleum, AIG, ExxonMobil, Bank of America, and other organizations that have taken hits to their corporate image (including dearly departed companies like Enron, Adelphia, and WorldCom). Once reputation is impaired, it is difficult to recover from the "long tail" of negativism.

A Gift for All Marketers: Cheerful Rewards of Bonded Customer Relationships+ (November 17, 2012)

Bonded relationships, the highest expressions of customer loyalty and advocacy behavior, will be the standard for successful brand and corporate performance going forward. Building and sustaining these relationships, through optimized experiences and employee ambassadorship, also reflect movement to a more customer-centric enterprise culture.

In many ways, bonded relationships, blending elements of advocacy and brand equity, are at the pinnacle of what every enterprise wants with customers. We have seen the benefits of adopting more customer-centric architecture, data flow systems, processes, and workforce. Over the past several decades, there has been a movement to build on traditional thinking about quality, satisfaction, and relationships. Now, we are at the peak, advocacy and bonding (see Figure 5.2).

True bonding occurs when customers select a single supplier from among all those they might consider, building the level of kinship and involvement, giving that supplier the highest share of spend possible, and informally (without any form of compensation) telling others about how positive the relationship is and how much value and benefit they derive from it. Bonding incorporates opinions formed from customers' transactional and other contact experiences, but it is built on a foundation of strategic, positive purchase and communication behavior. This level of behavior results when the customer is favorable toward a supplier, and not only purchases consistently from that supplier over others, but also actively tells peers about the personal value and benefit received from the relationship.

How is bonding different from satisfaction or loyalty, which so many companies use as key measures of performance and effective customer

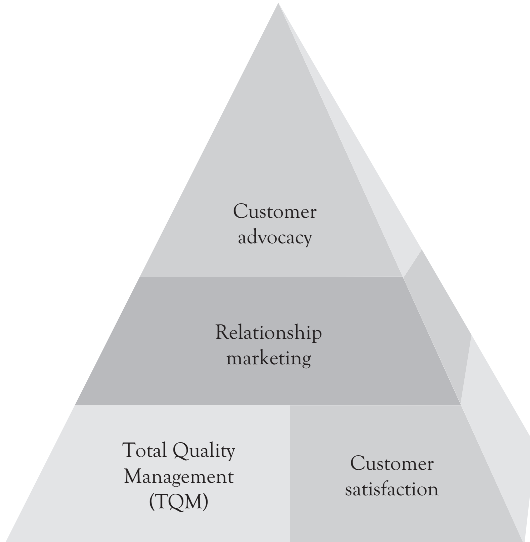


Figure 5.2. Advocacy and bonding are at the peak of supplier–customer relationships.

management? Satisfaction, because it depends principally on attitudes and recent transactions, isn't dependable because it doesn't correlate very well with long-term relationships and bonds with suppliers or with key monetary measures like share of spend and willingness to try new products/services.

Loyalty, though it recognizes a longer-term relationship and more active purchasing from fewer suppliers, or a single supplier, doesn't take into account the power and influence of peer-to-peer communication. Bonding considers not only the likelihood to have an exclusive purchasing relationship, but it also incorporates both strong emotional trust, kinship, and active, positive, and voluntary communication about the supplier.

By focusing on bonding (and mitigating or eliminating negativity), companies are able to both strategically, and positively, differentiate their value proposition while, simultaneously, create optimum levels of desired customer behavior. Oft-identified examples of companies which do this well are Harley-Davidson, which has been able to create a growing corps of enthusiastic owners through its million-member Harley Owners Group (with very little advertising), and IKEA, which has differentiated itself within the home furnishing retail category by offering unique products, services, and purchase experiences to a highly devoted customer base. These are both also strongly data-driven companies with highly customer-centric cultures.

Customer bonding, which identified the impact of brand favorability and informal communication on behalf of a brand or product—on others as well as the communicator—has been with us since there were organized societies. Before there was mass communication, principally in the form of print and electronic stories and advertising, seeking the advice and guidance of others, along with the customer's own personal experience, was the way most product and service selection decisions were made. Simply, people trusted other people, and often aligned with their ideas and beliefs.

The challenge began in the 1930s through the 1980s, with the advent and growth of radio and television commercials, to go along with the newspaper and magazine advertising which had been around for a couple of hundred years before that. This marked the zenith of "push marketing," with marketers determining what to offer, with little customer involvement. Before too long, consumers were being exposed to so many product-related messages—by some estimates over 2,000 per day—that absorbing fact from the clutter, and distinguishing it from puff, hype, and fiction became a daunting task for any prospective or active customer. Then came the Internet, handhelds, and smart phones, and with them arrived the exponential availability of product information—good and bad product ratings, positive and negative "'buzz," and so forth.

Perhaps the pivotal point in time when customer bonding, that is, more emotionally based customer relationships, began to re-emerge as a powerful marketing force came with Malcolm Gladwell's 2000 book, *The Tipping Point*, followed by Keller and Berry's 2003 book, *The Influentials*. In somewhat different ways, these books chronicled the ability of individuals, through favorable personal experience and social word-of-mouth, to influence the product and service purchase behavior of peers. These books were then followed by a flurry of others on the emergence of social networking, Web 2.0, consumer-generated media, and related major trends.

Much of customer bonding (and negativity) behavior depends on levels of trust and transparency between individuals, and also between individuals and organizations, and allied concepts such as objectivity, credibility, honesty, reliability, and originality in the online and offline communication methods that they themselves have created. A 2005 Yankelovich study found that 76% of consumers don't believe that companies tell the truth in advertisements. This reflects a 30-year declining trend for believability of electronic and print editorial and advertising content around products and services. In short, 68% of adults trust other people "like themselves," up from only 27% in 2003 (Edelman Trust Barometer).

GfK, a leading market research company, has been tracking consumer trust trends through the Roper Poll for several decades. In the 1970s, consumers already trusted and valued word-of-mouth more than print and electronic advertising and editorial content. By 2003, almost all (92%) consumers trusted word-of-mouth when making product or service decisions, while electronic and print content influence actually declined. Other studies, such as 2008 research conducted by OTX and DEI Worldwide, have generated similar findings and conclusions. The effectiveness gap between push messaging and trust creation, and customer engagement and inclusion, and focus on emotional elements of the customer relationship, has only widened in the past several years.

Customer bonding, the willingness to speak positively, actively narrow product and service brand consideration syets, and have strong favorability toward selected suppliers as a result of personal experiences with a specific brand or supplier, has been recorded principally in B2C sectors. However, if anything, bonding behavior is becoming even stronger in B2B industries, where so much of communication is offline and the pressures to make correct supplier decisions are even more acute.

In sum, for both B2B and B2C industries, there is well-documented proof that engaging (business and consumer) audiences in multidimensional experiences is directly linked to their propensity to act and advocate on behalf of preferred suppliers, products, and services. For companies that understand—or learn to understand, and apply—the benefits of bonding and brand relationship, this represents a gift that keeps on giving, throughout the year.

Creating and Building Relationships Throughout the Customer Journey: Branding the Experience (November 10, 2012)

Many B2B and B2C companies offer undistinguished, commoditized, vanilla experiences to customers. These are almost guaranteed not to be memorable, not to be talked about (unless neutrally or negatively), and they will not succeed at creating customer bonding behavior. Some, through customer-focused culture, discipline, purpose, and a powerful value proposition have succeeded in delivering consistent, positive experiences which are appealing to customers and which customers consider worthy of passing along through informal communication channels.

Beyond simply selling a product or service, these "experiential brands" connect with their customers. They understand that delivering on the tangible and functional elements of value are just table stakes, and that connecting, and having an emotionally based relationship with customers is the key to leveraging loyalty and advocacy behavior.

These companies are also invariably quite knowledgeable about what drives customer behavior. Every aspect of their offerings—customer service, advertising, packaging, billing, products, and so forth—is all thought out for consistency and effect. They market, and create experiences, within the branded vision. Every function involved in delivering a positive, reliable, and hopefully memorable experience is "closed-loop," maintaining balance between customer expectations and what is actually executed.

Exemplars of branded customer experience also understand that there is a "journey" for customers in relationships with preferred companies. It begins with awareness, how the brand is introduced, that is, the promise. At that point, the suspect or prospect becomes a potential customer. Then, beginning with the first transaction, promise and created expectations must at least equal real-world touchpoint results (such as through service).

And, these expectations must be met or exceeded over time, with a minimum of disappointment. Finally, it requires that the brand's image, its personality if you will, is sustained and reinforced. Advanced companies map the customer journey and plan this out, recognizing that

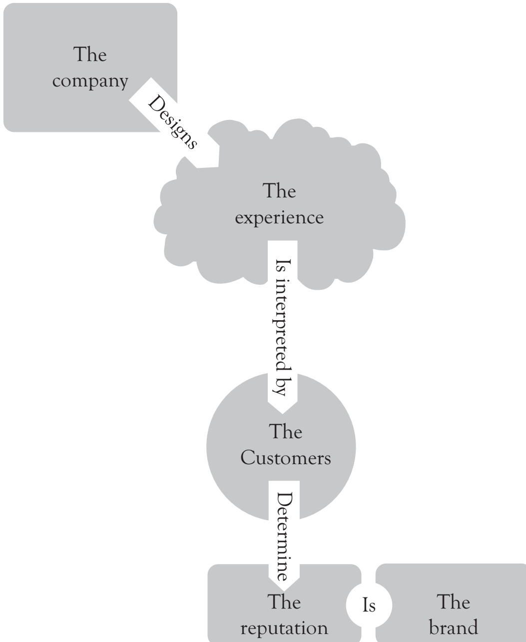


Figure 5.3. The journey for customers in relationships with preferred companies.

experiences are actually a form of branding architecture, brought to life through excellent engineering (see Figure 5.3).

Some branded customer-experience-centric companies, like Zappos, IKEA, Disney, Target, REI, Nike, American Girl, Starbucks, Southwest Airlines, Trader Joe's, Baptist Health Care, Whole Foods Markets, The Container Store, Wegmans, Apple Stores, and Harley-Davidson are well known. Others, such as Wawa, Umpqua Bank, and Zane's Cycles deserve mention because they are customer-centric, original, and distinctive, and because they represent excellent examples of bringing employees, process, customers, and culture together in highly effective ways.

In her interestingly titled book, *I Love You More Than My Dog* (actually a metaphor for how closely consumers can bond with companies which create trust and authenticity), author and loyalty consultant Jeanne Bliss identifies several of these companies, as well as what makes them exceptional. In the book, she stated: *When customers love you, they'll turn to you first, regardless of the competition. They will tell your story, forming an army of* *cheerleaders and publicists urging friends, neighbors, colleagues, even strangers to experience your company.* This is an almost perfect definition of the inside-out customer management which creates outside-in customer behavior.

As Jeanne describes, these companies exhibit five decision traits which separate them from the pack:

They decide to ***BELIEVE***: They believe their employees and they believe their customers, that is, they trust them.
They decide with ***CLARITY OF PURPOSE***: They are clear and straightforward about their value proposition.
They decide to ***BE REAL***: They are transparent and "real," making relationships between people, not between company and customer.
They decide to ***BE THERE***: They are "in the moment" with customers, when and as needed.
They decide to ***SAY SORRY***: They have humility and grace, and are willing to apologize when there are experience delivery shortfalls.

Today, we are witnessing customer-driven marketing through empowerment, self-management, and consumer-generated media; and many companies have found themselves in the backseat of the new-age vehicles used in customer–supplier relationships. Companies are being compelled to modify existing communication techniques, or create new ones, and rethink interactions between employees and customers, and how they hire and train employees, and the experience processes they utilize, so that they can be positioned to generate advocates among their customer bases.

In a customer-driven world, the reality is that frequency programs are not enough. Great product is not enough. Exceptional service and customer-sensitive staff, though incredibly important, are not enough. Use of new and innovative communication technologies and multiple channels is not enough. Tight, efficient operational processes, also necessary for consistent experiences, are not enough. Reputation, though also extremely important, is not enough. How companies use, or misuse, these experience-creating techniques, and how they assess the return-on-customer effectiveness, and level of monetization, of their communication and experience initiatives will change how well customer relationships are built by both small and large enterprises.

After Thousands of Years, Are We There Yet? The Effect of Trust, and Offline/Online Social Media Influence, on Relationships+ (August 25, 2012)

In *Science and the Common Understanding*, written in 1953, noted theoretical physicist and "father of the atomic bomb" J. Robert Oppenheimer (Figure 5.4) prophesized:

> *The open society, the unrestricted access to knowledge, the unplanned and uninhibited association of men for its furtherance – these are what may make a vast, complex, ever growing, ever changing, ever more specialized and expert technological world, nevertheless a world of human community.*

Oppenheimer anticipated, 60 years ago, pretty much what we—as humans, customers, and marketers—are experiencing today on a worldwide basis. There are many emerging trends which will influence the continuing growth and impact of social word-of-mouth, including mobile technology evolution, stronger focus on the emotional (as well as rational) elements of value, brand equity, and customer relationships (even in B2B,

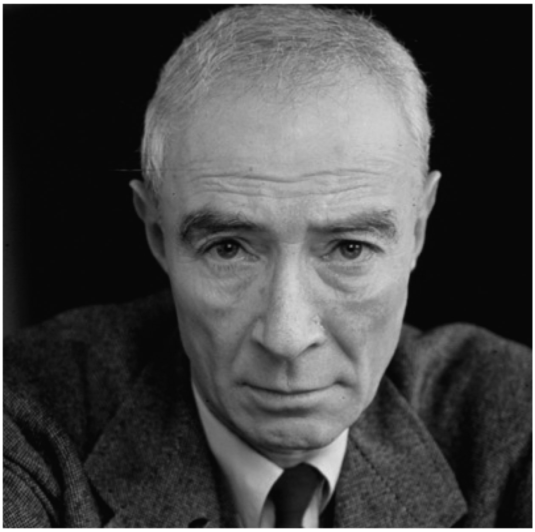


Figure 5.4. J. Robert Oppenheimer had predicted the emerging trends in the current market scenario.

and perhaps at a higher level than B2C products and services), more active inclusion of customers in branding, marketing and development decisions (advisory boards, online customer communities, and so forth), and further movement away from heavy, almost exclusive use of traditional forms of advertising and promotion to those where consumers live and communicate (microblogging/Twitter, search engines, text messaging, social networking such as Facebook, LinkedIn, Plaxo, Digg, and so forth).

The amount of coverage online social media receives is tremendous. There is a strong and disproportionate amount of attention, as a medium for companies to influence consumers and as a medium for consumers to use to communicate with each other. There is so much material on how organizations can leverage social media to manage brand perception, dialogue with customers, and increase share of wallet and share of market that it could easily be taken as conventional wisdom that "online social media" is simply a surrogate term for all social media. It must be remembered, however, that offline word-of-mouth is still, by a wide margin, the most significant communication mode and driver of B2B and B2C customer decision making, even among young people for whom mobile communication appears to be a way of life; and the results of multiple studies reinforce that continued key finding.

Companies want to be where their customers are, offline or online. Online, customers have been sending increasingly strong signals that they will be using social applications, such as Twitter, Yelp, and YouTube, to communicate about vendor experiences. Customers want to be able to access whatever information they want, whenever they want, and wherever they want; and companies will need to harvest and analyze data for patterns and themes using computer-aided qualitative analysis software, such as text mining and cloud techniques.

So, paraphrasing Oppenheimer, in this expanding world of human community, where technology makes vast amounts of information available to anyone at any time, any company's current and potential customers will be increasingly sensitive to the level of honesty, objectivity, and transparency represented in all content as they gather knowledge and make decisions. What we are all looking for is sincerity, or genuineness. The word sincerity, by the way, comes from the Latin root "sincerus," or without the necessity of a wax seal on a transactional contract between supplier and customer. Sincerity is at the core of trust creation.

Stripping away the effects of technological advances as Oppenheimer saw them, nothing much has really changed in the building of trust and value between vendor and customer in thousands of years. "Humanness" endures. Personally, I find that very reassuring.

Hyperdrive Customer Influence: Artfully Dovetailing Advertising with Social Media+ (August 18, 2012)

At the end of the day, we support concepts articulated by Rory Sutherland of Ogilvy Group and word-of-mouth marketing consultant, Andy Sernovitz. Namely, advertising, as both a craft and a component of marketing, can't afford to separate itself from the need to contribute to brand or product positive downstream customer behavior, nor to align itself with, and leverage, the growing power of online and offline social media.

If the advertising for a product or service is passive, intellectually unstimulating and boring, undifferentiated, or, even worse, focused on being interruptive and doesn't contribute to generating customers and building advocacy behavior, then its value is indeed limited. If it's energized and engaging, effectively cuts through the message clutter evident in both B2B and B2C advertising, and creates or reinforces a positive impression, then advertising can work effectively with, or dovetail into, the word-of-mouth desired from targeted customers.

What needs to be more openly and actively recognized, by all parties involved in sales, marketing, branding, customer experience, and advertising (Figure 5.5) is that online and offline social word-of-mouth is now, and will continue to be, a fact of life:

Consumer reviews are significantly more trusted—nearly 12 times more—than descriptions that come from manufacturers (eMarketer, February, 2010).

The average consumer mentions specific brands over 90 times per week in conversations with friends, family, and co-workers (Keller Fay, WOMMA, 2010).

Figure 5.5. Online and offline consumer reviews are significantly more trusted.

74% of online shoppers are influenced by the opinions of others in their decision to buy products or services (Manage Smarter, September, 2009).

90% of consumers trust opinions from people they know; 70% trust opinions of unknown users (Econsultancy, July 2009).

Social networks are growing in importance as a source of decision-making input. In a study by My Yearbook, 81% of respondents said they'd received advice from friends and followers relating to a product or service purchase through a social site, and close to three-quarters of those who received such advice found it to be influential in their decisions (ClickZ, January, 2010).

This is, indeed, irrefutably strong evidence of the new realities for advertising.

Section Summary and Perspective

For companies seeking to build trust and optimize customer experience delivery, they should not only follow a customer-centric culture, but also the strategy and tactics for building an emotionally based, inclusive relationship. Ideally, multiple elements of branding, communications, and connection will come together to make this happen:

Content—particularly video, which has grown in effectiveness and pervasiveness—which is relevant, informative, and objective and available via multiple channels. Customers need to feel, and believe, that any information they are provided, and through whatever self-directed source, has personal benefit.

Messaging produced by the organization must be consistent with content, seamlessly aligning with online and offline informal communication; and it should be recognized that decision making is (a) controlled by the customer and (b) likely to be influenced by both offline and online content and messaging.

Building trust takes time and effort; and organizations need to recognize that the "bank account" of empathy, image, and reputation so carefully grown with customers can be wiped away virtually overnight. Creating long-term customer loyalty and outstanding, memorable customer experience means thinking about the consumer in strategic relationship, rather than transactional, terms. This means that emotional drivers, sincerity, objectivity, and integrity, must come from inside the enterprise, including employee behavior. To build bonding behavior, many organizations have created branded elements of the experience into their product/service value delivery; and, combined with the benefits of an endearing, customer-centric culture, they have gained the financial rewards of true customer loyalty.

AFTERWORD

Leveraging Customer Behavior from the Inside Out and Outside In

In 2006, American Express became the first company to take on musician and activist Bono's challenge (Figure A.1) to help the international fight against AIDS, tuberculosis, and malaria. It introduced American Express Red, a credit card in the United Kingdom that would pay 1% of the credit card charges to a global fund. The donation would increase to 1.25% after charges exceeded £5,000 a year.

That's one example of the ways businesses are responding to the how customers actually make supplier and purchase decisions in today's environment. Those of us who study and consult on loyalty behavior optimization are finding that, when customers are considering alternative suppliers or making final purchase decisions, the intangible, emotional, and relationship benefits must be actively considered. Tangible, functional, and

Figure A.1.* *American Express took up musician and activist Bono's challenge to help the international fight against AIDS, tuberculosis, and malaria.

rational elements of the product or service, though also important, tend to be somewhat more one-dimensional and non-differentiating.

And it absolutely requires that the meld between the (emotional and relationship positioning) messaging and the experience that companies create be as seamless as possible, totally supporting the value and brand promise. If companies want customers to bond with them on the outside, they must, therefore, begin with the right impressions, the right media, the right processes, the right people with the right training and mindset and the right strategic experience, at the right time, coming from the inside.

When organizations are marketing to customers, they must understand that customer commitment and bonding behavior can result in one of two ways. In the first, companies endeavor to manage and influence attitudes and perceptions of customers (and prospects), as well as where, how, and when communication takes place. We call this "inside-out" customer commitment and bonding.

In contrast, "outside-in" commitment and bonding occurs when customers informally influence the behavior of others (customers and prospects) on behalf of selected, (strongly preferred) suppliers. This takes place through one-to-one or group communication, including direct or indirect recommendation or tacit endorsement.

American Express Red is a good example of a company developing "inside-out" commitment. After studying the interests of its customer base for some time, and noting behaviors of an important segment that the company wanted to reach on a more inclusive, lifestyle-relationship basis, executives developed a value proposition specifically for high net worth "conscience consumers" (what some might call "cappuccino liberals"), people who feel strongly about social causes but have neither the time nor the real motivation to get directly involved.

This market segment in the United Kingdom was estimated at 1.5 million and was projected to grow to 3.5 million by 2009. Thus, the company has created and sculpted a program expressly for a targeted, emerging customer niche; and the challenge is to make certain that every message and experience supports that concept.

Another example of "inside out" was Commerce Bank (Figure A.2), which called itself "America's Most Convenient Bank." Before being

Figure A.2. Commerce Bank culture is an example of inside-out customer management.

acquired by TD Bank (in 2007, and renamed in 2008), it was the fastest growing financial services company in the United States of America and had more than 400 "stores" in eight states along the Eastern Seaboard. It had a unique retail concept, built on an advanced service model (including seven-day branch banking, extended weekday and weekend hours, and staff trained at WOW University).

Commerce Bank had a highly proactive, customer-centric culture, with programs including financial training for kids, aimed at building lasting, family-based relationships. Until shortly before being acquired, the company did almost no traditional media advertising; and this only changed because operations had moved into so many markets, and so quickly. The company's model centered on small businesses and families, with a very localized, community-oriented focus, featuring the benefits of a proactive staff offering friendly, high-end service and convenience. Though Commerce Bank used Kelly Ripa (a South Jersey native) and Regis Philbin as spokespeople in its advertising, the emphasis was less on their celebrity status than it was on building awareness of Commerce's array of differentiated service features.

The way customer bonding is measured (summarized as the active expression of brand commitment) enables any organization to identify what is driving both true bonding behavior—leading to high wallet share—and indifferent, negative, or even sabotage behavior. If, outside-in, bonded customers can be ambassadors for a business through their positive word-of-mouth and other predispositions to behave, saboteurs can undermine a business through negative informal communication and other behaviors.

Research into the underpinnings and drivers of customer loyalty behavior shows that commitment and bonding can identify the strength of a brand or company's value proposition franchise, how well it performs on an "inside-out" basis. Commitment, with bonding at the top end of this response to the rational and emotional components of value, is the most actionable method of understanding what steps need to be taken, and in what order of priority, for organizations to optimize both employee and customer behavior. For employees, this is a key part of the "inside out." For customers, and their marketplace actions, it's all about the "outside in." Successful companies have learned how to leverage customer behavior, from the inside out and the outside in.

EPILOGUE

Building Customer-Centric, Trust-Based Relationships: A Well-Established Concept That's About Humanity, Emotion—and Profitable Results

More than a buzzword, "being human", especially in brand-building and leveraging customer relationships, has become a buzz-phrase or buzz-concept. "Human" now pervades titles of articles, blogs, white papers, and even books. But, there is little that is new or trailblazing in this idea. To understand customers, the effective enterprise needs to think in human, emotional terms. To make the brand or company more attractive, and have more impact on customer decision making, there must be an emphasis on creating more perceived value and more personalization. Much of this is, culturally, operationally, and from a communications perspective, is what we have been describing as "inside-out advocacy" for years.

Most brands and corporations slide by on fairly macro, passive, and transactional approaches to customer relationships. These might include customer service speed, occasional price promotions, merchandising gimmicks, new product offerings, and the like. In most instances, the customers see no brand "personality" or brand-to-brand differentiation; and their experience of the brand is one-dimensional, easily capable of replacement. Moreover, the customer has no personal investment in choosing, and staying with, one brand or supplier over another.

Worse, it can sometimes feel like "the enterprise culture" as we know it has lost its way with stakeholders, especially with regard to being purpose-driven and trust-based. In their recent book, *Conscious Capitalism*, authors Raj Sisodia and John Mackey (Co-CEO of Whole Foods Market) observed: "…many corporations seem to exist primarily to maximize the compensation of their executives and secondarily to create shareholder value, rather than to optimize sustained value creation for all stakeholders."[1]

A key opportunity for companies to become stronger, more trusted, and more viable to customers is creation of branded experiences. Beyond simply selling a product or service, these "experiential brands" connect with their customers. They understand that delivering on the tangible and functional elements of value are just table stakes, and that connecting, and having an emotionally-based relationship with customers is the key to leveraging loyalty and advocacy behavior.

These companies are also invariably quite disciplined. Every aspect of a company's offering—customer service, advertising, packaging, billing, products, etc.—are all thought out for consistency. They market, and create experiences, within the branded vision. IKEA might get away with selling super-expensive furniture, but they don't. Starbucks might make more money selling Pepsi, but they don't. Every function that delivers experience is "closed-loop," carefully maintaining balance between customer expectations and what is actually executed.

In his 2010 book, *Marketing 3.0: From Products to Customers to the Human Spirit*,[2] noted marketing scholar Philip Kotler recognized that the new model for organizations was to treat customers not as mere consumers but as the complex, multi-dimensional human beings that they are. Customers, in turn, have been choosing companies and products that satisfy deeper needs for participation, creativity, community, and idealism.

This sea change is why, according to Kotler, the future of marketing will be in creating products, services, and company cultures that inspire, include, and reflect the values of target customers. It also means that every transaction and touchpoint interaction, and the long-term relationship, needed to carry forward the organization's unique character, must be a reflection of the perceived value represented to the customer.

Kotler picked up a theme that was articulated in the 2007 book, *Firms of Endearment*. Authors Jagdish Sheth, Raj Sisodia, and Daniel B. Wolfe labeled such organizations "humanistic" companies, that is, those which seek to maximize their value to each group of stakeholders, not just to shareholders. As they stated, right up front (Chapter 1, page 4):

> *What we call a humanistic company is run in such a way that its stakeholders—customers, employees, suppliers, business partners, society, and many investors—develop an emotional connection with it, an affectionate regard not unlike the way many people feel about their favorite sports teams. Humanistic companies—or firms of endearment (FoEs)—seek to maximize their value to society as a whole, not just to their shareholders. They are the ultimate value creators: They create emotional value, experiential value, social value, and of course, financial value. People who interact with such companies feel safe, secure, and pleased in their dealings. They enjoy working with or for the company, buying from it, investing in it, and having it as a neighbor.*[3]

For these authors, a truly great company is one that makes the world a better place because it exists. It's as simple as that. In the book, they have identified about 30 companies, from multiple industries, that met their criteria. They included CarMax, BMW, Costco, Harley-Davidson, IKEA, JetBlue, Johnson & Johnson, New Balance, Patagonia, Timberland, Trader Joe's, UPS, Wegmans, and Southwest Airlines. Had the book been written a bit later, it's likely that Zappos would have made their list as well.

The authors compared financial performance of their selections with the 11 public companies identified by Jim Collins in *Good to Great* as superior in terms of investor return over an extended period of time. Here's what Sheth and his colleagues learned:

- Over a 10 year horizon, their selected companies outperformed the *Good to Great* companies by 1,028% to 331% (a 3.1 to 1 ratio).
- Over five years, their selected companies outperformed the *Good to Great* companies by 128% to 77% (a 1.7 to 1 ratio).

Just on the basis of comparison to the S & P 500, the public companies singled out by *Firms of Endearment* returned 1,026% for investors over the 10 years ending June 30, 2006, compared to 122% for the S & P 500, more than an 8 to 1 ratio. Over 5 years, it was even higher—128% compared to 13%, about a 10 to 1 ratio.

Bottom line: Being human is good for the balance sheet as well as stakeholders. As Southwest Airlines founder Herb Kelleher has observed "A humanistic approach to business can pay handsome dividends, even in a somewhat benighted industry like air passenger service."

Exemplars of branded customer experience also understand that there is a "journey" for customers in relationships with preferred companies. It begins with awareness, how the brand is introduced, that is, the promise. Then, promise and created expectations must at least equal—and, ideally, exceed—real-world touch point results (such as through service), initially and sustained over time, with a minimum of disappointment.

As noted, there is a strong recognition that customer service is especially important in the branded experience. Service is one of the few times that companies will directly interact with their customers. This interaction helps the company understand customers' needs while, at the same time, shaping customers' overall perception of the company and influencing both downstream communication and future purchase.

And, branding the customer experience requires that the brand's image, its personality if you will, is sustained and reinforced in communications and in every point of contact. Advanced companies map and plan this out, recognizing that experiences are actually a form of branding architecture, brought to life through excellent engineering. Companies need to focus on the touchpoints which are most influential.

Also, how much influence do your employees have on customer value perceptions and loyalty behavior through their day-to-day interactions? All employees, whether they are customer-facing or not, are the key common denominator in delivering optimized branded customer experiences. Making the experience for customers positive and attractive at each point where the company interacts with them requires an in-depth understanding of both customer needs and what the company currently does to achieve that goal, particularly through the employees. That means that companies must fully comprehend, and leverage, the impact employees have on customer behavior.

So, is your company "human"? Does it focus on providing stakeholder benefit? Does it understand customers, and their individual journeys? Are customer experiences "human" and branded? Is communication, and are marketing efforts, omnichannel, micro-segmented and even personalized? Does the company create an emotional, trust-based connection and relationships with customers, and with employees as well? If the answer to these questions is **YES**, then "being human" becomes a reality, the value of which has been recognized for some time, and not merely a buzz-concept.

About the Author

Michael W. Lowenstein, PhD, CMC, is Thought Leadership Principal for Beyond Philosophy, a leading-edge international strategic customer experience consultancy (www.beyondphilosophy.com), which is based in the United States of America. Author of five customer-centric strategy books and over 150 white papers and articles, Lowenstein's PhD is in strategy and program development, earned from SKEMA Graduate Business School, in France. As part of his professional background, Lowenstein has held senior executive positions with several major worldwide research and consulting organizations.

He is broadly experienced as a strategic and innovative marketing consultant in many B2B and B2C product and service industries; and his particular areas of interest are impact of brand equity and word-of-mouth communication on downstream customer behavior, employee commitment and ambassadorship, and how organizations build trust and authenticity through customer centricity, and use customer insight, in reaching their strategic business goals.

Lowenstein is an active international conference keynoter and speaker, workshop facilitator, and trainer, and he is a regular featured contributor to two customer loyalty newsletters. He also provides expert customer and stakeholder loyalty resource commentary to several professional customer relationship management (CRM), marketing, and customer experience sites on the Internet, and is an active blogger on these and related subjects.

He has been a strategic customer life cycle workshop developer/facilitator for the Direct Marketing Association and has been a brand and customer loyalty/stakeholder behavior instructor for Pennsylvania State University, American Marketing Association, American Society for Quality, The Conference Board, ESOMAR, Bank Administration Institute, Frost & Sullivan, Institute for International Research, SOCAP, Marcus Evans, UNI, eCustomer Service World, ICEMD, and the American

Management Association. He has presented at industry and professional conferences across the United States of America and in over 30 foreign countries, and for corporations such as Toyota, Aetna, Nestle, MetLife, General Motors, EarthLink, Sprint, Daimler-Chrysler, Bell South, and Charles Schwab. Additionally, he has lectured in the MBA and EMBA programs of University of Pennsylvania, New York University, Villanova University, and Columbia University.

Also, Lowenstein holds a Certified Management Consultant (CMC) professional designation, awarded by Institute of Management Consultants, United States of America. He is a member of the Greater Philadelphia Senior Executives Group (GPSEG); and, through this organization, provides strategic mentoring to MBA and Executive MBA students at Drexel University, Temple University, and Villanova University.

For further information, see his LinkedIn profile.

Notes

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2. Lowenstein (May 7, 2012).
3. Lowenstein (June 26, 2013).
4. Green (September 8, 2010).
5. Bliss (May 24, 2012).
6. O'Connor (June 27, 2013).
7. Unruh (1996).
8. Marshall (March 20, 2013).
9. Lowenstein (December 21, 2012).

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1. Shaw (2013).
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1. Joel (2009).

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Michael W. Lowenstein, PhD, CMC, is Thought Leadership Principal for Beyond Philosophy. He is the author of five customer-centric strategy books and over 150 white papers and articles. His PhD is from SKEMA Graduate Business School in France. As part of his professional background, Lowenstein has held senior executive positions with several major worldwide research and consulting organizations, and he is broadly experienced as a strategic and innovative marketing consultant in many B2B and B2C product and service industries.

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