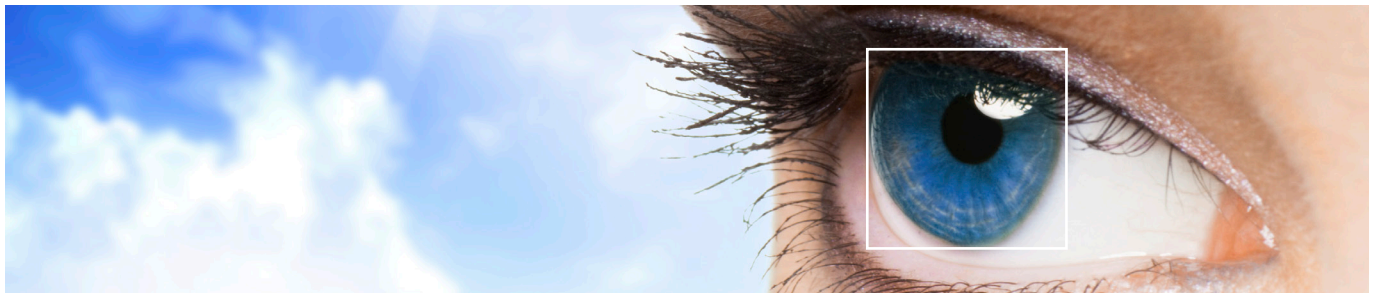


A Glint in the Eye of the Customer

Outstanding “Wow-Effects” Through an Innovative Customer Journey



The list of successfully implemented “wow-effects” within several industries is long: adidas NEO provides customers of its flag ship stores a connection between mirrors, fitting rooms and Facebook in order to share possible new outfits with family and friends; receptionists at Ritz Carlton greet guests by name without the help of an IT-system; HUK-COBURG offers their customers a mobile app with useful information for journeys abroad. Differentiation from competitors by just delivering a failure-free customer journey across all touch points is not enough anymore. Companies need to take Customer Experience Management (CEx) to the next level and surprise customers with outstanding “wow-effects”. Arthur D. Little showcases a methodology to design such “wow-effects”, by the implementation of a service innovation process that parametrically ties the customer’s emotional response to a product or service. Businesses with a high degree of customer interaction, such as telecommunication, automotive, consumer goods & retail, insurance and energy & utility firms are especially advised to take CEx and creating “wow-effects” seriously.

Service is key to driving customer engagement

A major trend within today’s customer management is creating a trusting relationship with customers – turning a brand into a friend. However, customers’ expectations have risen immensely in the age of multimedia infotainment, 24/7 availability, global reach and boundless communication. Sole differentiation through creation of a great product is no longer sufficient to keep customers attached. Customer purchase decisions depend highly on the degree of excitement created across all touch points of the customer journey. This trend has shifted the focus towards service excellence; as a key to delivering a unique value proposition.

Designing “wow-effects” in service requires timely and careful consideration

Along the customer journey, there are various touch points in the company-customer interaction designated as ‘moments of truth’. The task for the company and the CEx manager is to consciously design these ‘moments of truth’ in a desirable way for the customer. These touch points nourish customer engagement and therefore enhance the customer lifetime value.














So, how do companies create “wow-effects” and effectively manage the customer experience?

The cornerstones of an effective CEx are strategic integration, cultural internalization and top management support. Apart from “what” an excellent customer experience is, the important question of “how” companies can actively design their services in order to achieve excellence must be answered. There are generally four levels of service fulfillment:

1. Fulfilling core promises
2. Proactively managing customer feedback
3. Offering a personal service and
4. Creating “wow-effects”¹

Based on insights from best-in-class companies, Arthur D. Little identifies comprehensive factors that are critical to success when creating “wow-effects” in service.

¹ In order to achieve service excellence, in 2011 Arthur D. Little developed a DIN-standard (DIN SPEC (PAS) 77224) in collaboration with academic institutions and practical partners.

Levers	Description	Best-practice Examples
 Ambience	The character and atmosphere of a place to achieve individual delight.	Etihad: Etihad offers exclusive Business and First Class Lounges with Spa and catering areas.
 Empathy	The capability of understanding another person's point of view or feelings.	Ritz Carlton: When excusing for a mistake, Ritz Carlton gives a bottle of wine as ordered some time before.
 Recognition	The observation and recognition of interested parties and customers by service employees.	Swissôtel: Guests receive a personal hand-written greeting card of the sales representative.
 Service-Excellence	The consistent and continuous delivery of sophisticated services, independent of the service process stage.	BMW "ConnectedDrive": Call-center agents go out of their way to solve customer requests; many speak with a Bavarian accent which pushes the brand.
 Prestige	The reputation or influence arising from success, achievement, rank, or other favorable attributes along the service process.	Miles & More: Lufthansa HON-circle status members enjoy a limousine-service to the airport.
 Gimmick	An attractive and fun extra added to a product or service that most often has a low material value.	MINI: Customers will find a sign on the steering wheel saying "I missed you" after customer service.
 Exclusivity	The expression of an upmarket lifestyle; the use of products and services that are scarce and desirable.	Aston Martin: Cars of Aston Martin contain a small plate under the engine bonnet that says "Final inspection by ..." followed by the name of the inspector.
 Individualization	The possibility to customize products and services to individual liking.	mymuesli: The company provides an online-shop where customers can arrange and order their own, individual muesli.
 Problem solving	Ability to understand customer-specific problems and to solve these issues with foresight to the satisfaction and delight of the customer.	myTaxi: You can order taxis via the app. It shows you how far away the taxi is, alerts you when the taxi has arrived and enables you to pay via m-payment.
 Simplicity	Focusing on simple and/or short service processes that totally fulfill all requirements (e.g. One-Click shopping).	airberlin: The airline offers passengers the possibility to check-in without reservation code; just with a topbonus membership number.
 Friendliness	Authentic and personal care for the customer.	Fab.com: The customer service team of the design e-tailer, named 'Crackerjack', keeps customers pro-actively informed about the status of their inquiries.
 Pleasure	A feeling of satisfaction and enjoyment when customers experience something nice.	Hugo Boss: The fashion company provides very fast delivery and high-quality packaging of items ordered via their online-shop.
 Product	The design of product attributes that are intended to achieve customer delight; sometimes attained by product variants.	Ben Sherman: Shirts from the "Plectrum" collection of Ben Sherman have original plectrums as stiffeners in the collars.

The challenge of generating "wow-effects"

Knowing what a "wow-effect" is and conducting a competitiveness analysis, including the benchmarking of other industries, is not enough. The following innovation process can generate the right ideas for "wow-effects".

Ideally before the innovation process begins, an **assessment** of the current maturity of the customer journey should be conducted in all aspects. This assessment will outline specific shortcomings and identify the 'moment of truth' that will be improved upon in the process. It is fundamental to have the 'moment of truth' in mind when beginning the innovation process, as this will be the basis for execution along with the evaluation of results. In addition, requirements for future "wow-effects" will be derived from the overall brand strategy and – if existing – service mission and strategy.

In the **design phase**, the results of the assessment are analyzed and specific goals and evaluation criteria for "wow-effects" are

determined. During the **preparation phase** the members of the team will be selected including internal stakeholders, senior management or other internal experts.

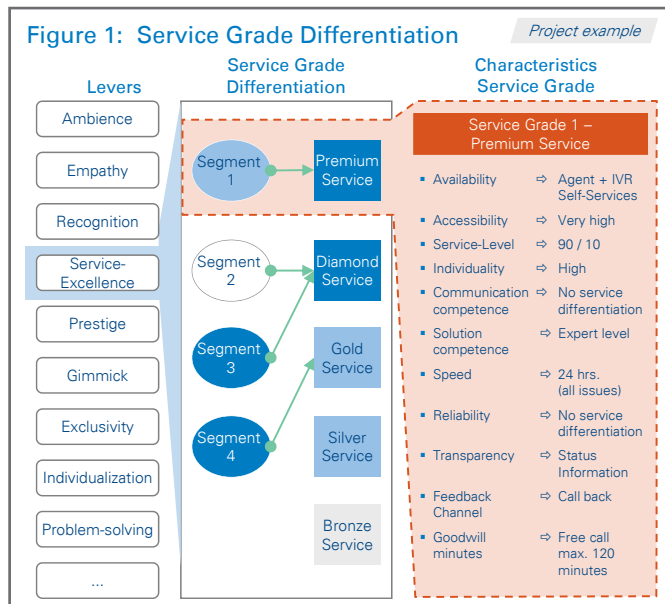
To get a broader spectrum of ideas, there should be engagement with external stakeholders, such as customers or suppliers, in order to see new perspectives. During the **idea-generation phase**, it is critical to create a range of ideas with a wide funnel to define and evaluate the best idea possibilities. Throughout the idea-generation phase, various brainstorming techniques can be used to create options for original "wow-effects". At this point, it is important not to limit any ideas, but rather to encourage unique ideas to stimulate the creative process.

At the beginning of the idea generation process it is essential for the group to put themselves in the shoes of the customer; simply by using the service or product as a customer would. 'Mystery calls' in the call center or 'mystery purchases' in a retail store can help shed light on the true customer experience. This will be an essential

experience for the innovation team in order to truly understand the customer journey and aid idea generation. Additionally, a creative agency can help to streamline the idea-generation process, as well as offer a unique toolset to explore new ideas. While the agency experts might not be experts in the particular industry of the offered product or service, they can offer an outside perspective and challenge the team to bring out the best ideas.

Once the pool of ideas is sufficient, the **evaluation phase** can begin. In this phase, the ideas generated will be compared with attributes and “wow-effect”-levers determined in the first phase. Generated “wow-effect” ideas will be evaluated in respect to three dimensions:

1. Customer segments
2. Customer touchpoints and
3. “Wow-effect”-levers.



“Wow-effects” that do not meet the criteria can either be dismissed, combined or modified with other ideas. Finally, the portfolio of ideas must be evaluated with a specific business case in mind, including implementation resources and cost, as well as the level of customer loyalty and potential revenue gains.

Often finding *an* idea is not the true challenge, but rather finding the *right* idea and turning it into reality. The outlined innovation process ensures the generation of relevant ideas that will create “wow-effects”.

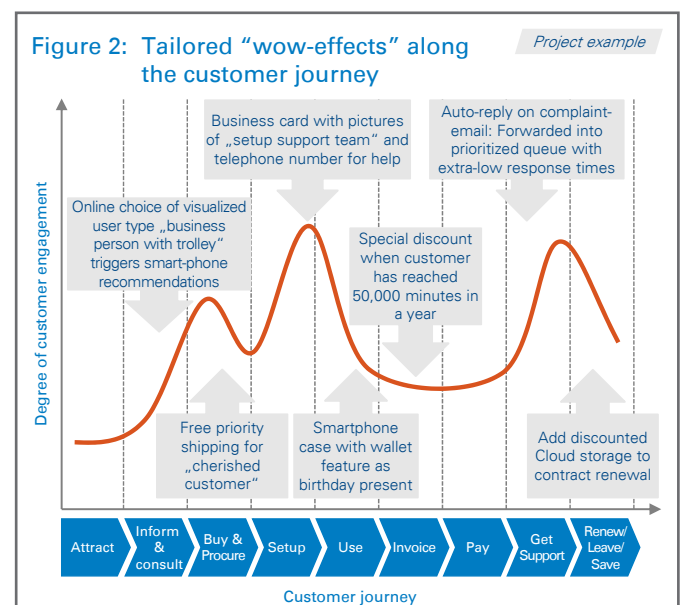
From idea to implementation: the magic in getting it right

Creating the **right** WOWing ‘moments of truth’ is one challenge. Implementing and recognizing the wider implications behind these moments is another – one that is often overseen by experts. Arthur D. Little can help companies deliver all of the elements:

1. **Strategy:** ‘Moments of truth’ can have a strong impact on strategy. For instance, if ‘moments of truth’ are designed

around eCare functionality, the multi-channel strategy has to be redesigned to lead customers to the company’s website. This “shift to online” may also need to be embedded in sales and marketing strategies.

2. **Process:** New “wow-effects” require existing procedures to be adapted, or even the implementation of an entirely new procedure. For example, the trendy “order online, pick up in store” feature is a merger of processes, with implications on sales provisions and return policies.
3. **Organization and Governance:** The implications for organizational measures include not only training and additional resources, such as personalized customer service; but also a redesign of the organizational structure. For example, a company that runs an advertising-focused website from its marketing unit, may want to build an independent, startup-like online unit if it plans to push onlineization. Likewise, a mobile service-at-home workforce, such as Best Buy’s “Geek Squad”, is a venture of its own run as a subsidiary. Roles and responsibilities have to be clearly defined across the organization in order to avoid customer requests and issues ending up in a game of ping-pong between departments.
4. **Technology:** Finally, changes in strategy, processes and the organization are manifested in IT systems. How often has technology impeded the quest for customer excellence, e.g. when legacy systems could not fulfill requirements towards multi-channel management? It is important to recognize a looming disconnect of customer excellence ambitions and IT and to act on it. Possible measures can range from the implementation of add-ons to designing a new target IT architecture for business support systems. Companies require an end-to-end understanding from perceivable effects for the customer down to supporting technology in order to succeed in implementation.



Making sure it works: the customer experience compliance check

Driven by IT testing methodology, current product development processes put a strong focus on technical functionality. However, the customer perspective is often neglected, especially when it comes to an end-to-end view of the customer's experience with an existing or new product or service offering.

The 'Arthur D. Little Customer Compliance Check' takes a formalized approach to evaluating 'moments of truth' and their wider context. For a given scenario with selected variants, all customer touch points are assessed in a real-life situation. The outcome is a brutally honest assessment of a company's performance from a customer point of view against a pre-selected set of categories, with detailed advice on measures for improvement.

The compliance check can be carried out as a one-off exercise for critical offerings; however companies should aim for integration with their standard product development process as it can then provide valuable insights to further optimize the product offering. Innovative companies often go as far as leveraging key customers before launching new products. For example, Austrian telecom operator A1 tested its new online support community with the help of "SuperFans" and Facebook and has significantly reduced the time and efforts of translating its website into other languages by crowdsourcing this service from users.

Creating "wow-effects" with service pays off

A superior customer experience positively impacts the creation of trust with customers. CEx can help companies become unique and innovative and it can support differentiation towards competitors while creating a service and customer-oriented image.

Arthur D. Little has observed that a successfully implemented CEx shows positive business cases and strong correlation between customer interaction volumes and revenues. Several companies could increase revenues up to 25% per customer based on an increased customer interaction volume (e.g. visitors in shops and related revenues). SWISSCOM's new store concept in Switzerland is a real best-practice example with a positive investment case. Based on this, SWISSCOM's new shop design and CEx will be rolled out in all stores by the end of 2014.

In the current Viewpoint, we have presented a structured approach for actively managing the CEx challenge and providing outstanding services to customers. Companies should be well aware that CEx is not only about the design of 'moments of truth', but also about the integrated implementation.

As the ultimate goal, CEx helps to acquire and retain customers while converting sales and enhancing customer equity. Companies should service their customers at their best – and customers will reward them for it.

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Arthur D. Little

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