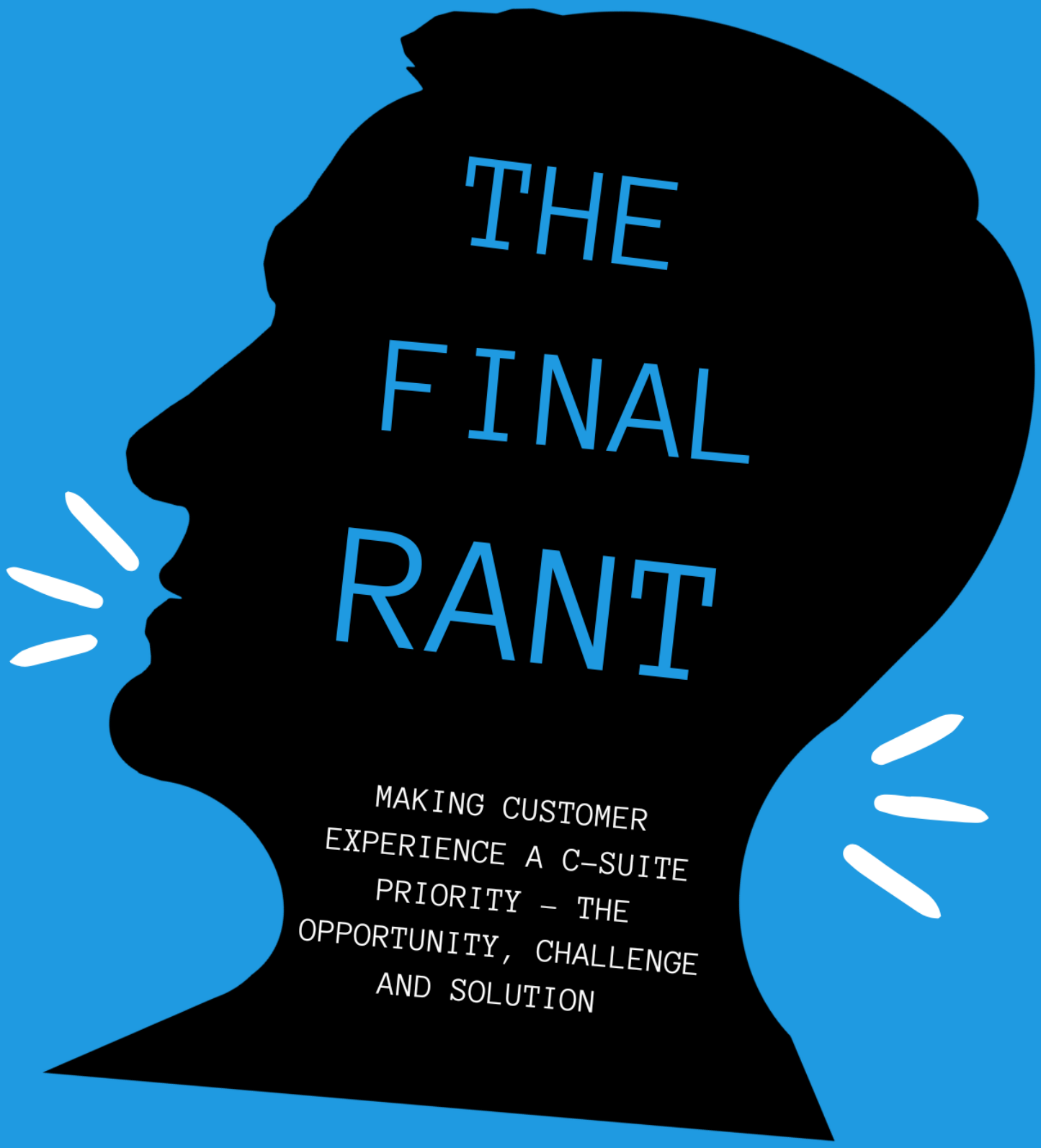
CUSTOMER EXPERIENCE & MARKETING



THE FINAL RANT

MAKING CUSTOMER EXPERIENCE A C-SUITE PRIORITY – THE OPPORTUNITY, CHALLENGE AND SOLUTION

JACK SPRINGMAN

“Writing in the shadow of a diagnosis of terminal cancer is freeing. You don’t have to worry about consequences – whether the book will sell, help win more consulting work or put noses out of joint. As a result, I have been able to be blunt about the shortcomings in the fields of both marketing and customer experience (CX).”

JACK SPRINGMAN

Caption

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Foreword

An author friend suggested the title of *Customer Experience and Marketing – The Final Rant* for the simple reason that, medical miracles aside, it will be my final words on the subject. Writing in the shadow of a diagnosis of terminal cancer is freeing. You don't have to worry about consequences – whether the book will sell, help win more consulting work or put noses out of joint. As a result, I have been able to be blunt about the shortcomings in the fields of both marketing and customer experience (CX).

The way the CX establishment promotes customer experience is particularly damaging to its credibility and unless this changes, CX will continue to be a low priority for senior executives. What works in the call centre doesn't work in the C-suite where a more strategic way of thinking is required. This is totally missing in most pronouncements about customer experience. Worse, there is a complete failure to understand what good strategic thinking looks like. But the quasi-religious zeal with which beliefs are held – the one-size-fits-all approach, the primacy of customer-centricity, etc. – leads to business priorities being subjugated to philosophy. As a result, CX is not taken seriously as a business discipline.

My aim with this book is firstly to answer the question: Why is customer experience not a C-suite priority given that creating value for customers in a way that creates value for the business is the fundamental pre-requisite for growth. Then secondly explain how higher prioritisation can be achieved.

Chapters 1 covers the decline of marketing and the vacuum this has created. Traditional definitions of marketing, such as that espoused by the American Marketing Association, celebrate the primacy of creating value for customers. Logically if you don't create value for customers, you won't be able to create value for the business. But marketing's evolution over the last 60 years has led to this responsibility being abdicated, with marketing (in large businesses at least) becoming the smallest and meanest possible version of itself.

The consequence of this evolution is a gaping opportunity for CX teams to take responsibility for the end-to-end process of creating value for customers to create value for the business. And Chapter 2 deals with how the CX community is failing to grab this opportunity. If members of the CX establishment feel insulted by what is written here, then sorry, not sorry. I don't want to go to my grave without having done my best to elevate customer experience to the status I believe it deserves. So I can't afford to pull any punches.

Chapters 3-11 deal with how to make customer experience a C-suite priority. This starts with having a compelling CX strategy. Unfortunately, what is described as CX strategy in the training manuals and promoted by CX experts falls into the trap of 'bad strategy' for reasons explained in Chapter 3.

Chapters 4-6 deal with establishing the foundations for your strategy – understanding how customer experience priorities change with different business strategies, determining your differentiators and constructing a business case. Chapters 7-9 cover the key components your CX strategy should include – analysis, design and implementation planning. Chapter 10 looks at how you can sell your strategy to senior stakeholders – while empathy to customers is widely promoted by the CX community, empathy towards internal customers (the C-suite) is pretty much ignored. Finally, Chapter 11 summarises the key takeaways.

Finally I had interest in this book from publishers but concluded that I did not have the time or energy to jump through all the required hoops. Secondly my aim is to make a difference by having as wide a readership as possible – making the book freely available as a pdf will hopefully help achieve that.

Jack Springman, London, June 2022

Acknowledgements

I would like to thank everyone at Optima Partners and Optima Connect for their input, whether they realised they were providing it or not! Gratitude is especially due to Graham Hill with whom I have been discussing the topics in this book for the last few years and whose thinking has left an indelible imprint on my own. And I would also like to mention Alan Crawley, John Ramdenee, Alasdair Crawley and Ross Robinson for the influence they have had.

I should also pay tribute to Adrian Swinscoe, Colin Shaw, Matt Watkinson, the late Sampson Lee and Shaun Smith. Colin and Shaun's books provided the foundations for my understanding of customer experience when I first read them in the mid 2000s. Adrian, Sampson and Matt have all challenged CX norms and have provided a lot of inspiration for my writing.

Some of the key elements in this book were first outlined in a series of articles that I wrote for MyCustomer. There have been significant amends since then as the book has taken shape. But I would like to thank Neil Davey and Chris Ward both for publishing these articles (and others over the years) and for acting as a sounding board when requested.

Most of these articles were shared on LinkedIn and I am grateful for the contributions to the conversation provided by Balakrishna Murthy, Bill Staikos, Christopher Brooks, Davide Vigano, David Jacques, David Wales, Federico Cesconi, Greg Merriman, Ian Williams, Jason Hemingway, Jeff Sheehan, Jim Tincher, Julia Ahlfeldt, Michael Bartlett, Neil Skehel, Nick de Voil, Olga Potaptseva, Richard Kimber, Rick Denton, Rob Coyne, Steven Schreiber and Volkan Uzakgoeren. Their thoughts and challenges helped shape the amendments I have made.

I would also like to thank Steve Harrison for his generous input, Alice Sherwood for suggesting the title and Simon Ratcliffe for help with the front cover.

Finally my thanks to my family – Philippa, Oliver and Clara – for their enduring support, both with regard to this book and more generally.

PART 1: Opportunity, failure and solution

1. Marketing's evolution and the vacuum that has created

The evolution of marketing over the last 60 years has led to an abdication of responsibility for creating value for customers, with brand building and activation becoming the priority. This narrowing of scope to a focus on promotion has created a vacuum which other parts of the organisation need to fill.

The evolution of marketing

"Every generation tosses out what was learned before and declares it dead … Every generation invents its own dreadful jargon that for a brief time passes for wisdom – likeonomics, engagement, conversations, storytelling, empowerment."[1]

In the above quote Bob Hoffman, author of the popular adcontrarian blog, is talking about advertising. But it is also true of marketing in general. It doesn't so much evolve as rebound from one idea to another, from one economic imperative to the next. In broad terms the last sixty years have seen three main marketing eras – customer utility, brand building and digital activation. And each has had a specific economic imperative – sustaining growth, increasing brand equity and improving return on marketing spend.

With each shift marketing has become more introspective. The prioritisation of creating value for an external constituency was replaced by seeking to boost company valuations by building an intangible company asset – its brand. In turn that was replaced by an even more internally-oriented perspective – getting the best bang for the marketing buck. All of which has been to the detriment of marketing as a discipline.

The customer utility era (1960-1990)

The American Marketing Association (AMA) defines marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." Marketing has evolved a long way from this definition, but it was never truer than in the customer utility era.

During this period marketing was holistic, embracing all four of the Ps – product, price, place, promotion – first introduced by Jerome McCarthy in the early 1960s and popularised by Philip Kotler in his marketing textbooks. It was not the 1-P discipline that it has largely become.

The hero of this period was Theodore Levitt. Such was his status that when I first studied marketing for my MBA in the late 1980s, the first thing we were given to read was his HBR article, *Marketing Myopia*[2], which had been first published in 1961, nearly thirty years previously.

This article provided the clarion call for why the primary focus for marketing should be on creating value for customers if the goal is to grow the business. "Sustained growth depends on how broadly you define your business – and how carefully you gauge your customers' needs. Every major industry was once a growth industry. In every case, the reason growth is threatened, slowed, or stopped is not because the market is saturated. It is because there has been a failure of management."

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[1] Advertising for Skeptics, Bob Hoffman, Type A Group, 2020

[2] Marketing Myopia, Theodore Levitt, Harvard Business Review, 1961

Levitt went on to say: “It is impossible to mention a single major industry that did not at one time qualify for the magic appellation of ‘growth industry.’ In each case, the industry’s assumed strength lay in the apparently unchallenged superiority of its product. There appeared to be no effective substitute for it.”

He argued that the reason for industries going into decline was an overwhelming focus on product rather than creating value for customers, stemming from a belief that there was no competitive substitute, with potential competitors dismissed for offering something of lower quality. Levitt cited how Hollywood barely escaped being ravished by television but there have beenn multiple examples since – many captured in the late Harvard Business School professor Clayton Christensen’s work on disruptive innovation.[3]

Christensen did more than anyone else to keep Levitt’s thinking alive. It was he who popularised Levitt’s quote: “People don't want to buy a quarter-inch drill. They want a quarter-inch hole” in a 2005 HBR article.[4] He also built on the work of Tony Ulwick on outcome-driven innovation[5], also very much inspired by Levitt, to come up with the jobs-to-be-done (JTBD) approach which remains popular among customer experience professionals, if not their marketing counterparts.

This posits that customers have a desired outcome in mind – for example getting a new television – and that to achieve this there are multiple jobs they need to complete: Specifying what they are looking for in a new TV; researching brand, model and retailer options; making a decision; transacting; finally installing and setting up the new television. This is a simplified view of the customer’s journey, but it illustrates how JTBDs impact customer decision-making. And the more support in completing these jobs that a product provider or retailer delivers, the more value they create for customers and the better positioned they are to become the customer’s final choice.

Businesses need to make money, otherwise they cannot continue to satisfy customer needs. Selling also relies on customer utility and it was reflected in the advertising of that time. In these pre-brand positioning days, the purpose of an advert was to sell a product. And this was best achieved by highlighting its unique benefits.

The sales focus of advertising was drummed into new recruits when they joined the industry. In the foreword to his book *Can’t Sell, Won’t Sell*[6], Steve Harrison recounts that when he started as a copywriter, the benefit of advertising was explained in one sentence, “it’s what you do when you can’t afford to send a salesman.”

Harrison goes on to highlight that one of the two advertising giants of the era, David Ogilvy, had “We Sell - or Else” emblazoned on the wall in the reception area in every Ogilvy office in the world.

The other advertising giant of this period was Bill Bernbach. And while he had a different approach to Ogilvy – a greater focus on creativity and truthful advertising – he believed it should have the same goal.

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[3] Disruptive Technologies: Catching the Wave, Joseph L. Bower and Clayton M. Christensen, Harvard Business Review, January–February 1995

[4] Marketing Malpractice: The Cause and the Cure, Clayton M. Christensen, Scott Cook, and Taddy Hall, Harvard Business Review, December 2005

[5] Turn customer input into innovation, Anthony W. Ulwick, Harvard Business Review, January 2002

[6] Adworld Press, 2020

“The purpose of advertising is to sell. That is what the client is paying for and if that goal does not permeate every idea you get, every word you write, every picture you take, you are a phony and you ought to get out of the business.”[7]

In a 1980 speech to the American Association of Advertising Agencies[8], Bernbach highlighted the importance of facts – a clear differentiator of the product being advertised and the utility it provides – as the fundamental core of the message. But also that the message needed to be wrapped in a persuasive message. He argued that adverts need to appeal to both the rational and emotional instincts of buyers.

Dave Trott – author of several books on advertising and co-founder of multiple agencies, most famously Gold Greenlees Trott – likens this to the creation of a pearl. “Think of it as an oyster. You start with a piece of grit, and build a pearl around it. People buy the pearl, they don’t buy the grit. But no grit, no pearl. When you talk to someone about something you passionately believe in, they won’t just buy the logic of your argument. They’ll also buy the passion with which you deliver it. But if it’s passion about nothing, they won’t buy that either.”[9]

This becomes clearer if we focus on some specific examples. Trott begins his video on the *History of great advertising in 25 commercials*[10] by making the point that “good advertising is generally reckoned to have started in 1960 with a single ad.” No doubt it was a coincidence that this was the year that Levitt’s Marketing Myopia was published, but the common focus on consumer benefit is striking.

The advert in question was for Volkswagen, then little known in the USA where the advert was aired. At the time, Volkswagen had a single product – what is now generally known as the Beetle. And rather than focus on all the different features it offered, as was standard practice at the time (and on which the car would not have done well as its genius was in its simplicity), the ad focused on a car being driven on snow-covered roads with the voice over “Have you ever wondered how the man who drives the snow plough drives to the snow plough? This one drives a Volkswagen. So you can stop wondering.” The take-away was clear – Volkswagen was a car you could trust to get you where you needed to be, no matter the weather conditions.

Trott goes on to talk about another car advert, this time for Volvo. To highlight the strength of the Volvo hardtop’s core structure, the ad shows one Volvo being lowered on top of another, then another and another, with the presenter finally getting out of the car at the bottom as a sixth one is lowered on to the stack. Again the take-away is clear – if you are in a crash, you are better protected in a Volvo.

Volvo strengthened this positioning by being the first car company to introduce seat belts. As described in *Extra Life*[11] by Steven Johnson, Volvo showed the safety benefits of its seat belts by hiring a racing car driver to do death-defying stunts including deliberately rolling a car. More importantly, having received a US patent for its three-point seat belt in 1962, Volvo chose not to enforce the patent, making the design freely available to all manufacturers worldwide, saving hundreds of thousands if not millions of lives in the

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[7] Has advertising forgotten its brand purpose?, Darren Woolley, the drum , 25 September 2019

[8] Facts are Not Enough, Bill Bernbach, https://www.slideshare.net/MartinDavidson/bernbach-facts-are-not-enough

[9] Creative Mischief, Dave Trott, LOAF Marketing, 2009

[10] ZeeMelt August 2021, https://www.youtube.com/watch?v=-7fn-aHmiE0

[11] Riverhead, 2021

process. This was driven by humanitarian goals rather than marketing, but it was excellent communication of how paramount safety was to Volvo nonetheless.

Neither of the two adverts described above were trying to build a brand, they were trying to sell a product. But in the process they created a very clear positioning. In their book *The 22 Immutable Laws of Marketing*[12], Jack Ries and Al Trout outline 22 laws for marketing success. Number five in this list is the Law of Focus. This states that "the most powerful concept in marketing is owning a word in the prospect's mind."

In the case of Volkswagen, the snow plough advert provided the foundation for their owning the word 'reliability' in the automotive category. This was built on over the years by a number of campaigns, most memorably a 1987 UK one which had a woman leaving her former lover's home, posting her engagement ring through the letter box, ripping off jewellery and discarding her fur coat all of which we are left to assume he had given her, but keeping her present of a Volkswagen Golf with the strapline being "if only everything in life was as reliable as a Volkswagen."

Similarly the 1960s Volvo advert helped it to own the word 'safety'. Again a positioning that has been strengthened over time with another 1987 advert being notable. This one had a crash test dummy climbing into a Volvo 340 and driving it through a first-floor glass window onto a forecourt below, then exiting the car without any damage. The strap line for this advert was "tested by dummies, driven by the intelligent."

Interestingly both these later advertisements came out in the 1980s, towards the end of the customer utility era, before brand became a primary focus for both marketing and advertising. Focus on customer benefit didn't die with the rise of branding and a focus on brand equity creation – a brand promise should encapsulate it. When articulated as a clear differentiator, this is a powerful starting point. But the problem with brand-focused advertising is that it tends to be so generalised – often covering multiple products in multiple categories – that this is almost impossible to do. And generally it is not done well, for the reasons explained below.

The brand era (1990-2010)

It is probably difficult for many modern marketers to conceive that there was ever a period when brand was not front and centre of marketing. But up until 1990, that was the case.

For many MBA programmes, the standard marketing text has been Philip Kotler's Marketing Management (latterly co-authored with Kevin Lane Keller), now in its 15th edition. In the 5th edition, which came out in 1984 (and was the edition we used on my MBA programme) just 1.5% of its pages were dedicated to the topic of brands and branding. Indeed it didn't even merit its own chapter and was a sub-section of Chapter 15 entitled Product, Brand, Packaging, and Services Decisions.

Figure 1 below shows how the percent of pages referencing brand or branding has increased between 1984 and 2016. The horizontal axis shows the edition of Marketing Management and the year it was published (I have done every other edition – roughly a six-year gap - to keep the chart simple and keep myself sane). Over the review period, the space committed to the topic of brand has grown five-fold, from less than 2% to 10% of pages in the later editions, with the leap occurring once Keller became a co-author for the 12th edition. Branding now merits not just its own chapter but its own section.

[12] Profile Books, 1994

Figure 1: Increasing coverage of brand as a topic in Marketing Management textbook

In parallel we can see the decline in the influence of Theodore Levitt, as measured by the number of times he is referenced in the text of Marketing Management. As shown in Figure 2 below, this peaked in the 9th edition (published in 1991 – around the end of the customer utility era) at 9 mentions, declining to just two in the 15th edition.

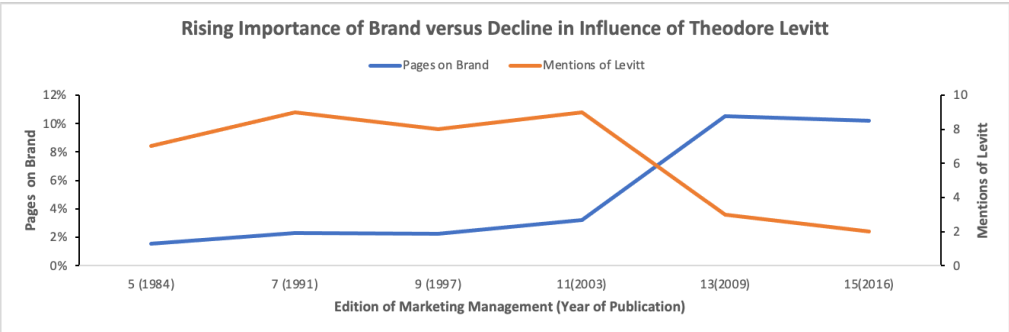

Figure 2: Increasing coverage of brand versus decline in referencing Theodore Levitt

Of course, what is included in textbooks is a lagging indicator. Business school professors are codifiers of what they observe, so it takes time for what is happening in the real world to be written up in academic papers. And textbook writers are even further behind. Rather than taking off in the mid 2000s – as the charts above would suggest – the brand boom started some years before.

In a blog entitled *Brand isn't always the answer*[13], Dave Trott opens with "Brand was invented around 1990, before then it was called image or reputation." Later in the chapter we will come back to the problems caused by the separation of brand and reputation – marketing teams controlling the former, the latter being more a function of elements that modern marketing teams have little influence over. But it is worth spending a bit of time on describing what lead to the fascination with branding and the economic imperative that underpinned it – the desire to build brand equity.

Brand equity is the quantification of the value of the relationship forged between a brand and its customers. By the end of the 1980s, this led to what Naomi Klein called "brand equity mania"[14], with acquirers paying huge premiums for companies with strong brand portfolios. For example, in 1988 Philip Morris purchased Kraft for six times the value attributed to shareholders' equity in the financial accounts, the difference being attributed to brand equity that had historically not been included in the balance sheet. That same year saw the takeover of RJR Nabisco by KKR (vividly described in the book *Barbarians at the*

[13] https://davetrott.co.uk/2021/04/brand-isnt-always-the-answer/

[14] No Logo: Taking Aim at the Brand Bullies, Naomi Klein, Knopf Canada, 2000

Gate[15]) again at a massive premium to book value credited to the intangible value of the brands in its portfolio.

Both Philip Morris and Kraft inhabited the traditional heartland of brands and branding – the Fast-Moving Consumer Goods or FMCG sector (alternatively known Consumer Packaged Goods or CPG) comprising food stuffs and basic items regularly used and replaced by households. But the attractive valuations attributed to strong brands in these high-profile late 1980s acquisitions came to the notice of managements outside the consumer goods sector. Seeking the fairy dust that brand equity would add to their share price valuations, CEOs and CMOs sought to inject branding expertise into their marketing functions, with advertising agencies only too willing to support these initiatives via a range of offerings.

In the above-mentioned blog piece, Trott refers to HHCL as being the first agency to start offering brand services. Others followed with Ogilvy & Mather launching their Brand Stewardship model in 1992 when Charlotte Beers became CEO. HHCL's pitch was that there was very little difference between products (very true in FMCG markets but less so elsewhere) so product advantage was non-existent, and the only difference could be made by advertising and creating a differentiated brand positioning.

Trott describes it as the replacement of the unique selling proposition (USP), which had been the focus of advertising in the customer utility era, by the emotional selling proposition (ESP). USP-focused adverts were seen as being dull and factual. And given the assumption of little difference in what products offered, more important than what you said was how you said it. With the result that everyone says nothing but in a charming and seductive way.

Pure brand advertising has little mention of the specifics about what a company offers. Selling products is not its aim. Instead there is usually a focus on lifestyle – stories that are all happy and hopeful with the backing of a great soundtrack. The goal is to highlight a common desire (e.g. happiness), and link the brand to that outcome.

In the UK, the advertising for Lloyds Bank is a great example of this – people diving into a lake, a lady driving a tractor, a mother teaching her son to ride a bicycle and people running on a beach, with everyone smiling and the only link between these vignettes being the black horse (the Lloyds Bank emblem) trotting or cantering in the background. The tag line to this is "by your side every step of the way."

As brand promises go, this is hardly a differentiator – it is what you would expect of your bank. But Lloyds is not alone in taking this approach and the whole concept of a differentiated promise is secondary (too salesy) when the focus is on lifestyle-oriented branding.

Unfortunately, the much sought-after brand equity has rarely been achieved, ultimately leading to spend on brand building being replaced by spend on digital activation. Underlying this are six factors – the switch from an external to an internal focus, a fundamental misunderstanding about how customer loyalty (and therefore brand equity) is created, failure to appreciate the differences between FMCG (or luxury goods) and other sectors, the separation of brand from reputation, the loss of control over brand messaging and seeking salvation in the flawed concept of brand purpose.

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[15] Barbarians at the Gate, Bryan Burrough and John Helyar, Harper & Row, 1989

Switch from external to internal focus

The end of the customer utility era and start of the brand era led to a switch in focus from an external constituency to an internal asset. Rooting marketing in an internal construct rather than an external constituency compounds the natural tendency towards egocentricity – albeit with individual identity subsumed into a corporate one. Such an approach allows groupthink-driven delusions to flourish. Theodore Levitt must be turning in his grave.

Probably the biggest of these delusions is that customers want to have deep relationships with brands – be part of a tribe, participate in two-way conversations and co-create when the opportunity arises.

By contrast, most relationships are purely transactional – loyalty is more a function of cognitive ease (it takes less effort to buy a product that you know functions reasonably well than undertake research to identify a better one) than of love. Brands are far more important in the minds of marketers than they are in the minds of consumers – but few businesses recognise this imbalance.

Misunderstanding how customer loyalty is built

As brand strategy became more ubiquitous in the 1990s, the approach to advertising changed considerably – campaigns became less product- and sales-oriented and more focused on lifestyles, aspirations and values. Indeed selling became seen by many in the advertising industry as dirty, graceless and below them. In the process, appreciating how customer loyalty is built was forgotten.

As advertising gurus Hoffmann and Trott have both pointed out, the replacement of product advertising with brand advertising misunderstands the power of advertising to build brands. Hoffman advises that a strong brand is a by-product and the best way to build one is to quit branding. “The strongest brands are built ‘bottom-up’ – by outstanding product advertising. As we always say around Ad Contrarian headquarters, we don't get them to try our product by convincing them to love our brand. We get them to love our brand by convincing them to try our product.”[16]

As an example, Hoffman references Apple. “Apple’s advertising is almost always about product benefits and differentiation. Apple's advertising is always product focused. The product itself is usually smack dab in the middle of the page or screen. There is never any ‘lifestyle’ or ‘branding’ nonsense.”[17]

Trott is also specific in his critique of brand-focused advertising, referencing the example of Volkswagen described above. “Brand is another word for reputation or image. And you don’t get a reputation just by claiming something. Of course not, first you must be something. Then you get a reputation. Then you can claim it. Volkswagen didn’t get a reputation for being reliable by running a brand campaign claiming reliability. Fifty years ago, they ran ads saying, unlike every other car, they were small, inexpensive and sensible. They had no radiator so the cars didn’t freeze in winter. They were smaller so they got better fuel mileage than other cars. Their parts were cheaper to replace because they didn’t change every year. That was product advertising, not brand. But the product advertising built the brand. Because, over the years, people’s experience of VW was that they were solid and dependable. So, fifty years on, they could run the campaign ‘If only everything in life was as reliable as a Volkswagen.’ But they couldn’t have run that

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[16] 101 contrarian ideas about advertising, Bob Hoffman, Hoffman/Lewis, 2012

[17] Ibid

campaign when they launched, because fifty years earlier they had no reputation for reliability. The product creates the experience. The experience creates the reputation. The reputation creates the brand."[18]

The same can be said about Volvo. It owns the word safety in the automotive category because it built its cars to be safe and then communicated that message very clearly through clever and amusing advertising.

The brands for all three of these companies were built through a process that the economics professor, John Kay, calls obliquity. Kay's point is that "complex goals are best achieved indirectly"[19]. He cites numerous examples – including why the happiest people aren't necessarily those who focus on happiness and the most profit-orientated companies aren't usually the most profitable. But he could easily have included brand-building in the process. Trying to build a brand directly involves advertising it in a way that people can supposedly relate to so that they buy your products. This is likely to be less successful than advertising a product so that customers try it and, assuming what you are providing is genuinely valuable to them, building a reputation that means they keep coming back.

Interestingly both companies have subsequently weakened their positions with branding campaigns. In 2008 VW relaunched itself as Das Auto – the car – a positioning that played well with internal senior stakeholders but completely failed with target consumers. Over the next eight years, the company spent tens of billions of dollars to support this positioning, which was eventually dropped in 2016 for being absolutist and pretentious, particularly in the light of the emissions scandal which had recently come to light.[20] Not surprisingly Das Auto has little recall among consumers today.

Also Volvo now seems to think that a reputation for safety is not enough and is positioning itself as a direct competitor to BMW. Recent adverts focus on innovation, technology and improving people's lives with only a passing nod to safety. As with VW's Das Auto campaign, this looks to be a classic branding mistake – weakening a position rather than strengthening it – but only time will tell.

Failure to appreciate differences between FMCG and other sectors

As highlighted above with Kraft and Nabisco, the core heartland of branding is the FMCG sector. The implicit assumption behind taking consumer goods marketing into other sectors was that the FMCG approach to brand building could transfer from low-involvement, undifferentiated, inexpensive and frequently purchased products to more expensive, functionally richer, more differentiated and infrequently purchased offerings such as cars, computers, mobile telephones, telephony services, financial services and even many B2B sectors.

This ignores two key differences between these types of offering and FMCG ones. Firstly measurable, functional aspects play a much more significant role – greater weight in the customer's buying decision is based on tangible factors. In good part this is because high quality comparison data usually exists, which is not the case with FMCG products. It is the same story with luxury consumer goods, another sector where branding does create significant value. People are prepared to pay a premium for the intangibles associated with a Louis Vuitton handbags and luggage. (No one is going to deconstruct an LV handbag and compare it to a Coach one, for example.)

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[18] One plus one equals three: a masterclass in creative thinking, Dave Trott, Pan, 2016

[19] Obliquity – Why our goals are best achieved indirectly, John Kay, Profile Books, 2011

[20] Volkswagen drops 'Das Auto' slogan as it announces re-branding initiative, Tom Connelly, The Drum, 23 December 2015

This is not to say that intangible or emotional factors do not exist with more functional products and services – they do. In his book, *Advertising for Skeptics*[21], Bob Hoffman describes how the Toyota Corolla was exactly the same car as the Chevy Geo Prism, built in the same plant by the same people on the same production line, with the only difference being the name and price – the Corolla cost $ 1,500 more. Yet Corolla sales were three times those of Prism sales.

But ultimately context is key. Hoffman goes on to say: "Under certain circumstances, a brand can be described as having great power with a consumer. And in certain circumstances the same brand may have little to no effect on the same consumer."[22] Outside of the FMCG and luxury goods sectors, the impact of brand positioning is far more variable than within it.

The second key difference is that intangible benefits accrue in a very different way, driven far more by the customer experience than an image created by clever marketing. These intangible benefits are a function of measurable factors such as service levels and product quality, not solely a function of perceptions shaped by the marketing team.

The experience is far more complicated than the selection of a product from a shelf by the purchaser and its being opened at home by the user, as is the case in the FMCG sector. It involves a more complicated buying and usage cycle – a function of greater product or service complexity – frequently involving interactions with multiple departments. To whatever degree that intangible benefits play a part in driving preference, marketers and brand managers play a far less important role in their delivery outside of FMCG.

This is also reflected in the scope of control and influence that marketing has. In FMCG companies, marketing is critical to shaping customers' perceptions of the brand and therefore to the brand's success. It sits atop the organisational tree, containing the most prestigious roles and is seen as a fast-track to success. As a consequence, the marketing function holds sway over what other areas do – brand managers are, de facto, general managers.

At a simple level, this can be seen in how many of the 4 Ps that marketers control. For example, a brand manager at P&G or Unilever is typically responsible for three-and-a-half of them – sharing responsibility for place with the powerful account management teams that look after relationships with retailers such as Walmart or Tesco.

Contrast this with a marketer in a bank where he or she normally only controls promotion. There are separate product teams that typically report to a Chief Product Officer (CPO) rather than the Chief Marketing Officer (CMO). Pricing is set by the credit risk team in the case of loan products or by treasury teams for deposit offerings. And place is typically determined by the branch management function. Similarly in the automotive sector, product and price are determined by the design and engineering teams with place determined by the dealer network that the company has developed.

As a result, marketing has increasingly become a 1-P discipline (outside FMCG). In response, brand marketers have sought to create more Ps that they can control – promise, personality and purpose (more of which below). They have sought to turn marketing from a substantive discipline into a storytelling one – leading to a preoccupation with perceptual (and dare I say it, more superficial) factors.

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[21] Type A Group, 2020

[22] Ibid

Every industry has a functional area that enjoys favoured child status, typically it is the one seen as most critical for success – exploration in oil companies, R&D in pharmaceuticals, engineering in automotive, design in high tech companies, risk management in financial services, sales in fast growing sectors and finance in many declining sectors – and rarely outside FMCG is it marketing. But such differences have not stopped companies in other sectors from attempting to follow the FMCG approach to building a brand.

None of this seeks to dismiss the influence brands have on buying decisions, particularly in FMCG and luxury goods. With the inexorable increase in self-service over the past fifty years – supermarkets replacing local grocery stores being the most significant though not the only example – products or services have become more bought more than sold. Against such a backdrop, brands definitely influence purchasing behaviour – a quality guarantee to engender the trust that used to reside in the shop-owner's recommendation.

The challenge is not to the power of brands, but how to build them and the power of marketing to do so, particularly outside sectors where intangibles dominate the buying decision. The tools in the brand marketing kit bag inevitably resulting in the subjugation of function to form, substance to image and reality to perception.

Divorce between brand and reputation

Perhaps the biggest tragedy of the rise of branding has been its divorce from the more traditional idea of reputation – doing what you will say you do, each and every time. For Jeff Bezos brand and reputation are one and the same but that is not a view shared by the brand industry. When I was undertaking research for my book, Elusive Growth[23] in the late 2000s, I found that reputation did not feature at all on the web sites of five leading brand consultancies when describing the services they offered. No surprise really as these agencies were all communication-focused with no capability in helping clients with service delivery and customer experience management.

These agencies – and marketing folk in general – eschew the idea that delivering a great customer experience and earning a great reputation is the best way to build a brand. A great recent example of the pain caused by divorcing brand from reputation is Chipotle. In 2013, Chipotle initiated a strategy of transcending fast food and becoming a lifestyle brand – selling idealism on organic cotton t-shirts. This was the brain-child of then CMO, Mark Crumpacker.

Unfortunately, in late 2015 and early 2016, 55 people were infected in two E. coli outbreaks after eating at Chipotle. Despite making changes to its food safety policies and practices, it was still suffering reputational damage in 2018, with four times as many customers not wishing to eat there compared to McDonald's because of food safety concerns[24]. But this didn't stop new CMO, Chris Brandt, wanting to relaunch Chipotle as a "a purpose-driven lifestyle brand." Some lessons are never learnt.

Marketing's role in customer experience comprises creating offers (in some but not all cases) and setting expectations. In some situations what we expect shapes what we perceive. For example, if we are told a wine is expensive, we are more likely to perceive it to be good. But relatively few offerings enjoy (or suffer) such inexactitude in evaluation.

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[23] Old Broad Street Press, 2011

[24] People are still terrified to eat at Chipotle — and it's the chain's biggest problem, Katy Taylor, Insider, 27 March 2018

In most cases our expectations become the benchmark against which reality is measured – setting them too high is dangerous. If we buy a luxury car but it proves unreliable, we are not going to be happy. If we receive four-star service, but were expecting five-star, we are disappointed; but if we were expecting only two-star but receive three-star service, then we are happy. The ultimate level of service received is less important than how it compares to what we were expecting.

The problem is that the incentive for marketing is to set expectations too high to persuade people to try the product or service on offer. If the rest of the organisation doesn't deliver on the brand promise, then it's not marketing's fault, is it? This is where the disconnect between brand and reputation causes real problems.

With that in mind, if I were to be so bold as to posit a Springman's rule of branding, it would be the following. The value of any conversation on branding – whether it be to do with values, strategy, identity, promise or personality – is inversely proportional to the percentage of marketers involved. Any discussion that only involves marketers is, by this definition, of very limited value as it separates messaging from delivery – it's just brandsturbation.

By contrast, when participants are drawn broadly from across the organization – the functions that interact directly with customers (such as sales and service) or create the products and services that customers buy – the value is significantly higher.

Loss of control over brand messaging

All the factors mentioned above undermined successfully building brand equity outside of FMCG. But what really brought the brand era to an end was the rise in digital – a medium that is more suited to direct response marketing than brand building. The rise of social media – initially blogs and forums, latterly Facebook and Twitter – also meant that businesses lost control of brand messaging.

In the days when only broadcast media existed – newspapers, radio, outdoor and television – companies had complete control over the story they told. But with the rise of social media, suddenly customers had a voice. If they were unhappy, they had a means for communicating their dissatisfaction.

Ultimately this led to a loss of control over customer perceptions. United Airlines couldn't claim everything was rosy about the service it provided when untied.com was logging customer complaints and illuminating all United's problems for others to see. And since those early days, things have only got harder with the rise of customer review sites and social media where one customer raising an issue frequently triggers others to pile in with theirs as well.

Brand managers had to go through a learning curve, starting with how to mitigate negative feedback to working out how to leverage social media platforms to deliver their intended messaging using influencers.

Of course, there is no shortage of people with large social media followings who are prepared to share what make-up brand they use, who supplies their food produce and whose clothes they are wearing – all for some form of remuneration. But these people aren't telling a story about the brand they are choosing beyond the fact that they are choosing it. And ultimately influencer credibility is a function of their perceived independence.

This comes with risks. This was learnt as far back as the 1970s by Citroen. The famous French film director, Louis Malle, was commissioned to make a documentary film about Citroen's new production plant in Rennes, Northern France. Senior managers were very proud of this facility and were hoping for a showcase film to generate some positive PR. But what they got was completely the opposite. The film – titled *Humaine, trop humaine* – highlighted the drudgery of work on the production line and the unpleasantness of the working environment. There was no dialogue or soundtrack and all you could hear was the deafening noise of metal-bashing. It was a brutal assault on both the eyes and ears (I lasted about 15 minutes before I had to leave.) And Citroen couldn't make use of it at all.

By contrast, taking risks can generate great returns. As part of their 2012 *Make it count* campaign, Nike commissioned Casey Neistat to make a film of that name. Neistat grew famous on the back of creating YouTube videos and had built a following in the millions with billions of views of his vlogs. And he was held in high regard for his truthful storytelling.

The video begins with scrolling text: "Nike asked me to make a movie about what it means to #makeitcount. Instead of making their movie, I spent the entire budget on travelling round the world with my friend Max. We'd keep going until the money ran out. It took 10 days." It goes on to share a rapid cut version of their travels interspersed with inspirational quotes and not an athlete in site.

Neistat's approach was widely described as going rogue, but it was a huge success. In an April 2012 tweet, Mashable described it as the best branded story ever told.[25] And current views on YouTube are nearly 32 million.

Nike is one of the smartest marketing companies on the planet. And it had the confidence that it could pick the right independent voice to make a film for a signature campaign. Others are unlikely to be as smart or brave.

Seeking salvation in brand purpose

With the rise in digital, brand-based marketing has lost some of its allure and certainly has lower spend than it did in its hey-day. But it hasn't disappeared completely – indeed in recent years there has been a fightback in the form of the rise of brand purpose.

This is most clearly seen in advertising awards, such as those handed out at Cannes. As Adweek pointed out in 2019: "social responsibility was once actually a category at Cannes, but this year marked the first at which it wasn't. The theme is now so ubiquitous throughout all the best creative work and award winners that it no longer needs a category."[26] Or as Steve Harrison puts it: "Brands are no longer to be promoted on the fact that they clean your whites whiter, but on their power to make your conscience cleaner. Being a force for good is the new purpose of brands and those who market them to the public."[27]

The poster child for purpose is Unilever which regularly provides updates on how its brands with purpose grow faster than its other brands. Unilever's motto is doing well by doing good. More importantly it has a

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[25] https://twitter.com/mashable/status/190527371550531584

[26] Three big Cannes Lions takeaways marketers can learn from, Penny Price, Adweek, 24 June 2019

[27] Can't sell, won't sell, Steve Harrison, AdWorld Press, July 2021

history of being focused on non-financial goals – both because it was the right thing to do and because it was good for business.

Unilever exemplified stakeholder capitalism long before it achieved recent popularity. Lever Brothers founder, William Hesketh Lever, sought to provide better housing, education and working conditions for his employees, the shining example of which was the creation of Port Sunlight in the late 19th Century, a model village built to house his workers and their families. A great example of where a stated purpose is underpinned by real world actions.

Underlying Unilever's more recent success is consumer angst – buying products that support sustainability helps assuage guilt. This corresponds with the advice provided by Howard Gossage, a lesser-known advertising genius from the 1950s and 1960s and the subject of another book by Harrison[28]. As Gossage told David Brower, who had approached him to help stop the damming of the Grand Canyon: "You've got to give people recourse. You've got to give them something they can do so they don't feel guilty and therefore hate you for making them feel guilty."[29]

Gossage's approach to giving customers recourse was including coupons in newspaper ads which could be sent to the US President and others with power to influence the final decision, alongside copy explaining what was going to happen. The recourse on offer from Unilever is buying a product that is environmentally friendly.

Having a brand purpose is seen as being a winning strategy with Millennials and Gen Z. According to a Chartered Institute of Marketing survey of UK consumers aged 18 to 34 years old, 81% would like companies to publicly commit to corporate social responsibility values; and 82% would strive to be employed by a company recognised for its commitment to business ethics.[30] Similar results can be found in research undertaken in the US by Cone Communications[31] and YPulse.[32]

The problem with research such as this is twofold. Firstly it treats classifications such as Millennials and Generation X as being homogenous. This is patently not the case. Marketing professor Mark Ritson makes this point very clearly. "The minute marketers start thinking all Millennials are the same, they reject the behavioural and attitudinal nuances of a hugely heterogeneous population and collapse them into one big generic mess. If you buy the idea of Millennials, then you must, by definition, reject the concept of proper segmentation of consumers holding different perceptions of experiences."[33]

Secondly there is a difference between what people say and what they do. In a survey it is easy to spout worthy intentions. But the reality is that saving the world is secondary to more personal objectives. As Christine Wise put it in a 2019 Campaign article: "For the vast majority of people, their concerns are less

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[28] Changing the World Is the Only Fit Work for a Grown Man, Steve Harrison, AdWorld Press, February 2012

[29] https://sofii.org/article/changing-the-world-is-the-only-fit-work-for-a-grown-man

[30] Chartered Institute of Marketing (UK): Millennials love CSR, https://sustaincase.com/chartered-institute-of-marketing-uk-millennials-love-csr/

[31] https://sustaincase.com/cone-communications-research-millennials-embrace-csr/

[32] https://www.ypulse.com/report/2021/03/26/the-real-impact-of-corporate-social-responsibility/

[33] Millennials are out; blah blahs are your next target group, Mark Ritson, Marketing Week website, 11 November 2015

focused on politics and societal issues and more focused on the personal worries and struggles of daily life."[34]

There is another problem with the thesis of targeting Millenials with purpose-driven advertising – they have much less to spend than Baby Boomers and Generation X. As research from Buxton highlights: "Not only are Baby Boomers the wealthiest generation, holding 70% of the disposable income in the U.S. and spending over $548 billion a year, but they also they spend more than any other generation, across all categories. This includes spending the most per transaction."[35]

According to the Epsilon database[36], spend by generation in the US is as follows:

- Baby Boomers (ages 55-75 years old) spend a total of $548 billion annually;
- Gen X (ages 36-54 years old) follow Boomers with $357 billion annual spend;
- Millennials (25-35) are next with $323 billion in annual spend; and
- The Silent generation (ages 76 years and older) spend $163 billion annually.

The topic of brand purpose unites two marketing professors who have garnered much publicity from their disagreements on topics such as targeted versus mass marketing – Mark Ritson and Byron Sharp. Both agree that brand purpose is a false marketing grail.

Sharp is blunt with his criticism. "Brands should be good corporate citizens, but the idea of turning them into saints is nuts. It's also unimaginative. These are the sort of marketing campaigns that high school students come up with for their term papers. Showing the brand saving the world is sweet, but naive, and hardly original."[37]

In the same article Sharp quotes Ritson, who is even more outspoken. "Patently, the whole concept of brand purpose is moronic. I do not want Starbucks telling me about race relations and world peace – I want it to serve me a decent coffee in pleasant locations. I care about race equality, deeply, but I do not trust a giant corporation with an extremely spotty reputation for paying its taxes telling me what to think."[38]

Starbucks is one of many companies accused of seeking to 'woke wash' its image. It makes a big deal about community building being its mission. But its tax-paying record suggests otherwise. As the Guardian reported in June 2019: "Starbucks UK-based European business paid just £18.3 million in tax last year while paying the coffee giant's parent company in Seattle £348 million in dividends collected for licencing the brand. In the UK, where there are about 1000 Starbucks stores, the company paid just £4m of tax to the exchequer despite raking in £387 million in sales."[39] As commentators such as Steve Harrison have pointed

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[34] Consumers want brands to heal divisions - now is not the time to sit on the sidelines, Christine Wise, Campaign website, 28 November 2019

[35] The Lost Generation: Baby Boomers, Buxton

[36] Who's Spending Their Money? Some Surprising Answers, Marketing Charts, 11 February 2019

[37] No wonder marketers aren't respected – even marketers hate marketers it seems, Byron Sharp, Marketing Science, 25 June 2017

[38] Ibid

[39] Starbucks pays £18.3 million in tax but £348 million in dividends, Rupert Neate, the guardian, 27 June 2019.

out, imagine the community building benefits that would have been enabled in the UK by Starbucks paying its fair tax share.[40]

Harrison goes on to highlight the example of Volkswagen. In 2015, VW admitted that it had cheated carbon dioxide emissions tests in US and that its engines had emitted nitrogen oxide pollutants up to 40 times above that allowed. According to VW some 11 million cars worldwide were affected. Given its ethical and environmental failings, sales of VW cars should have fallen off a cliff if these issues were important to consumers. But it continues to prosper, with first half year figures for 2019 showing booming sales and revenues. People may say that they are all in favour of ethical business but when it comes to spending their hard-earned cash, other factors are more important.

Harrison further describes how one consequence of this has been supporters of brand purpose seeking to bend the truth. In his book *Grow: How ideals power growth and profit at the world's greatest companies*[41] Jim Stengel former CMO at P&G presents data that purports to show that companies with a purpose of improving peoples' lives outperformed the market significantly.

Unfortunately, his research did not stand up to scrutiny, as pointed out by marketing author Richard Shotton in a Medium blog post.[42] Shotton's first criticism is that Stengel biased his sample by selecting from the most successful brands in the Millward Brown database, thereby ensuring his Stengel 50 outperformed the market. Secondly, he points out that Stengel's brand ideal is so malleable and far from world-changing that it can be adapted to fit most brands, again enabling selection bias. Finally, the Stengel 50 did not perform as well in subsequent years with only twelve outperforming the market in an ensuing four-year period.

More recently, in a MarketingWeek article, Peter Field described criticism of brand purpose as being "naïve and unjustified."[43] However he comes to this conclusion through comparison bias – comparing the most successful purpose campaigns with all non-purpose campaigns, not a like-for-like comparison. No surprise that the former outperforms. In reality, the research found that the average number of 'very large business effects' for all non-purpose campaigns was 1.6, while for brand purpose campaigns it was only 1.1.

The one sector where brand purpose does make sense is with start-ups. As highlighted above, younger generations are more attuned to the social benefits of what they buy. Hence businesses started by Millenials and targeted at those of a similar age may benefit from having a change the world purpose. But in economic terms the significance of these businesses is minor.

When it comes to larger businesses – particularly those that do not have a history like Unilever's - the bottom line is that brand purpose is as flawed as much other brand thinking. It is very popular within the advertising and branding communities. But it has yet to show business results that will lead to brand marketing returning to its previous position of prominence, usurping digital marketing in the process.

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[40] Ibid

[41] Virgin Books, 2012

[42] Why was Jim Stengel's 'Grow' so popular when it's so flawed?, Richard Shotton, Medium, 11 November 2015

[43] Criticism of brand purpose is 'naïve and unjustified', claims Peter Field, Michaela Jefferson, MarketingWeek website, 12 October 2021

The digital era (2010-present)

One of the most frequently referenced studies of recent times was carried out by Les Binet and Peter Field in 2018 on marketing effectiveness, using the Institute of Practitioners in Advertising database[44]. Field's credibility may have been somewhat damaged by the breach of scientific principles in his attempts to justify brand purpose, as described above, but this study remains a benchmark – Professor Ritson (not the easiest person to please) is a fan, despite being sceptical about some aspects of the approach taken.[45]

The key finding in this report was that the optimal mix of spend between brand building and activation is around 60:40, although it acknowledges that this should vary across different sectors – 80:20 in financial services and roughly 50:50 in other services, for example. It also concludes that brand-building is becoming more rather than less important, particularly in the context of long-term success and that brand underinvestment is damaging effectiveness in most sectors.

By contrast, recently Think with Google came up with an alternative model – 40% of spend on brand building and 60% on activation.[46] The report states: "Our findings are based on an analysis of more than 150 major retailers' marketing mix models across Europe, the Middle East, Africa, and the U.S., representing billions of pounds in marketing investment. Our research suggests that retailers should be spending between 50-70% of their marketing budget on digital marketing channels and between 30-50% on traditional marketing. The middle of the road model: a 60/40 split."

In essence these reports capture the key tension between the brand and digital eras – digital being a great channel for activation but not for brand building. And the Binet/Field report can be seen as a justification for returning budget lost to below-the-line (BTL) activities during the digital era to the above-the-line (ATL) ones that prevailed during the brand era, with the Google one looking to prevent a swing back.

Both Binet and Field have advertising backgrounds and the IPA is an advertising association, so their findings need to be viewed in the light of self-interest; and, of course, this is even more marked in the case of the Google research.

Unfortunately this self-interested focus on promotion blinds the authors of both studies to marketing's abdication of its role in the creation of value for customers that is both central to the AMA's definition of marketing, the customer utility era and business growth.

The case for digital marketing

The shift away from brand building to digital activation has been very marked (as shown Figure 3 below). Underlying this reallocation of resources is a beguiling promise – advertising can be personalised, relevant and timely in digital channels, so consumers will like it more. Further this increase in effectiveness can be

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[44] Effectiveness in context, Les Binet & Peter Field, IPA, 9 October 2018

[45] Binet and Field's research may not be perfect but that doesn't make it wrong, Mark Ritson, MarketingWeek website, 5 June 2019

[46] The new 60/40 model: The ideal budget split to drive retail traffic, Jonas Christensen & Pablo Perez, Think with Google website, May 2022

delivered at lower cost. In terms of return on marketing investment this was a double win with the numerator increasing and the denominator decreasing.

At the heart of this promise is data – data enables businesses to learn where individual customers are in the buying cycle so messaging can be specific, tailored and one-to-one.

In addition, businesses don't have to go through the hard work of generating awareness and interest, they can just wait until someone is at the point of buying and then hit them with a message. Full funnel marketing is no longer required, only bottom of the funnel conversion activity. As digital advertising is not great for brand building, this is doubly convenient for its proponents.

In contrast to broadcast advertising (using media such as newspapers, radio and television), another purported benefit of digital advertising is that it triggers two-way conversations, carried on via social media. This enables customers to engage with brands and become ambassadors who sing the brand's praise, with word-of-mouth marketing meaning advertising costs can be reduced. All of which is supported by carefully curated 'halo' examples of brands that have achieved some success, whether this success was financially advantageous or not.

One example of this was Pepsi's Refresh Project, launched in 2010. This involved awarding $20 million in grants to individuals, businesses and non-profits that had promoted a new idea that had positively impacted their community, state or the nation. More than 80 million votes were registered, and the Refresh Project generated 3.5 million likes and 60,000 new Twitter followers. At its peak, 37% of Americans were aware of it. As such it was very effective in social media terms, but as Bob Hoffman wryly notes: "The only thing it failed to do was sell Pepsi. It achieved all the false goals and failed to achieve the only legitimate one."[47]

A further argument for how advertising costs be reduced using digital channels is lower placement fees. For example, tracking data enables businesses to follow prospects to locations where they can advertise at lower costs than on prime sites. Given that quantifying the success of specific campaigns in generating new customers or cross-sales is subject to assumptions and models that senior managers may not understand, they are likely to be sceptical about revenue claims. But costs are clear cut – reducing media costs always plays well, even if it can be misleading. So digital marketing appealed to those in the C-suite as well.

As a result of all these supposed advantages, digital's share of media spend has increased massively. Figure 3 below highlights that digital had a c. 10% share of advertising spend in the UK in 2005, rising to just under a third in 2010 and to an estimated 70% in 2020.

[47] Ibid

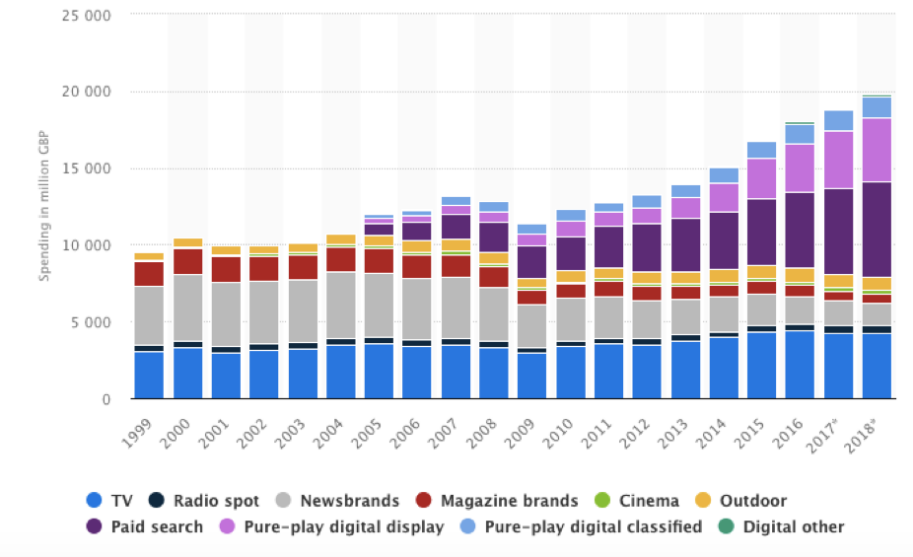

Figure 3: Advertising spend by media in UK, Source: Group M / Statista

The reality of digital marketing

What makes the continued growth of digital surprising is that the reality has proved somewhat different to the utopian dream that was promised.

Firstly while consumers are very happy to engage with each other on social media, they are not interested in engaging or interacting with businesses, unless they have a complaint – not really the goal of digital advertising.

Secondly there is no evidence that consumers like digital advertising any more than other forms and the growth in use of ad-blocking technologies suggests they find it an irritant. According to Hootsuite, 42.7% of internet users worldwide (16-64 years old) use ad blocking tools at least once a month. This is highest in Asia but even in US, 27% of internet users block ads.[48]

So the first major problem with it is questionable effectiveness in generating revenue.

The lower cost argument is similarly flawed. By eschewing premium publisher sites for lower cost ones, companies massively increased the scope for fraud with their ads being seen by bots rather than humans. Fraud is a massive problem, as the likes of Dr Augustine Fou have pointed out. But it continues to be ignored - this is the second major problem.

The third is the harm that programmatic digital marketing causes, both to businesses because their brands are advertised on low quality sites (even sites that may promote anti-social behaviours or worse), and also to individuals.

The Display Trading Council defines programmatic advertising as the use of automation in buying and selling of media. The most common form of programmatic is real-time bidding (RTB) whereby buyers and sellers of advertising space on web sites are automatically matched in milliseconds via an auction. Buyers (either businesses or agencies) use a demand side platform (DSP) to decide which impressions to buy and

[48] Global State of Digital 2021, Hootsuite

how much to pay for them, while publishers use a supply side platform (SSP) to sell ad space to brands. These two platforms are then matched up in real time.

The RTB process relies on tracking and the unconsented collection of personal data. As Doc Searls pointed out during a 2017 interview when I was doing some research at Ctrl-Shift, we don't allow companies to place trackers on us in the physical world, so why should we in the digital world? Tracking (and therefore most digital marketing) infringes individual privacy and can lead to widespread manipulation (for example of voting behaviour) through targeted distribution of fake news.

These problems are expanded upon below. The good news is that there is increasing awareness of the problems that tracking causes and an alternative model – contextual advertising – has been shown to be effective as well as more ethical.

The widespread existence of fraud

Let's start with the fraud, as this is one of the primary reasons why money spent on programmatic digital marketing is being wasted.

The first point to note is that fraud is a huge and growing problem.

In 2016, the World Federation of Advertisers (WFA) published a report forecasting that click fraud will become so rampant that it will cost advertisers more than $50bn by 2025, in the process becoming the second largest source of criminal income after drug trafficking.[49] Similarly a report by the Irish Council of Civil Liberties (ICCL) highlighted the damage done to legitimate publishers: "Fraud made possible by tracking-based ads diverted an estimated €30.1-58.8 billion from legitimate publishers in 2020."[50]

A more recent report from Juniper Research estimates that fraud will cost advertisers $68 billion in 2022[51] with Statista suggesting the figure could be as high as $81 billion.[52] The highest estimate reported in the Business of Apps compendium of Ad Fraud Statistics (2022) is $120 billion in 2022 (see Figure 4 below).[53] These are huge numbers in the context of total digital advertising spend of $565 billion in 2022, according to Statista.[54]

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[49] Compendium of ad fraud knowledge for media investors, WFA, 3 June 2016

[50] Sustainability without surveillance: ICCL review of sustainable publishing and tracking-based advertising, Irish Council for Civil Liberties, October 2021

[51] Digital Advertising Fraud: Key Trends, Competitor Landscape & Marke Forecasts 2022-2026, Juniper Research, February 2022

[52] Ad Fraud Statistics (2022), Business of Apps, 25 May 2022

[53] Ibid

[54] See https://www.statista.com/outlook/dmo/digital-advertising/worldwide#ad-spending

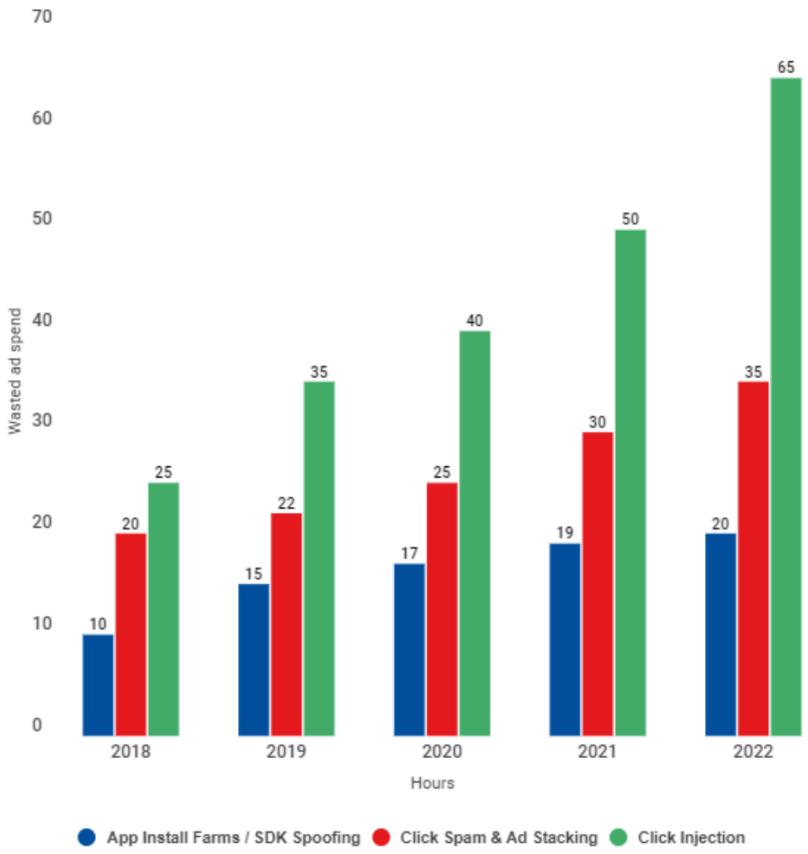

Figure 4: Projected increase in cost from common ad fraud tactics, source: TrafficGuard

Dr Fou has been researching the topic of ad fraud for ten years and written about the topic extensively. In February 2022, he published an article on LinkedIn entitled *Why Does Digital Marketing Appear to Perform So Well and Fraud Appear So Low?*[55] He wrote this in response to the likes of the US-based Association of National Advertisers (ANA) insisting that fraud was low (less than 1%) and that digital campaigns were more performant than other forms of advertising. And his forensic analysis dispels both these myths. (Note: Figure 4 above appeared briefly on the ANA's website between 26 May 2022 and 6 June 2022 before being taken down. The reasoning for this was not explained but clearly such a large estimate for digital ad fraud does not fit with the narrative an advertising trade association would like to tell.)

Fou's article highlights the different types of fraud that are perpetrated.

Click-related fraud is the most common and it comes in two primary forms – impression fraud, where bots generate ad impressions to make money, and click fraud, where bots create fake clicks. Over time these bots have become better and better at evading detection, tricking detection algorithms and blocking detection scripts (in the same way as ad blockers do). It is this lack of detection that enables the ANA to state that fraud is less than 1%, because that is all that they can see. But assuming the other 99% is legitimate is clearly false.

Fou explains that a second form of fraud is claiming credit for app installs that have already occurred organically – people installed the app because they wanted it rather than seeing an ad and clicking on it. He cites the example of Uber where a diligent analytics practitioner identified something that their fraud detection software had missed. Fraudsters were using a technique called click flooding to falsify attribution

[55] https://www.linkedin.com/pulse/why-does-digital-marketing-appear-perform-so-well-low/

reports so it looked like clicks on their sites had driven an app installation, enabling them to claim a per install payment from Uber.

A third form described in Fou's article is fraudsters falsifying records to claim credit for sales that have already occurred through what is known as affiliate fraud. Fraudsters, posing as sales partners for a business, use a technique called cookie stuffing to falsify reporting so that they can claim credit for generating sales to get paid an affiliate revenue share. Fou highlights that they often go as far as falsifying their target's Google Analytics results to make it appear that they drove the sale when the sale had already occurred. He makes the point that fraud detection vendors are not catching this because their technology can't see it.

Finally fraudsters are faking how ads on their sites are triggering foot-fall in offline stores, again by falsifying reporting. By cookie stuffing vast numbers of devices, fraudsters make it appear that the device was exposed to ads so that when the device is carried into a store space, the reporting faithfully reports foot fall in a physical store. Once more, Fou points out that fraud detection solutions are not catching this because they are not even looking for it.

This adds up to a significant problem for both advertisers and legitimate publishing sites. In its 2016 report, the WFA estimated that between 10% and 30% of what is spent on media (after intermediaries have taken their share) is siphoned off by fraudsters.

Limited effectiveness of digital marketing

Beyond fraud there are further factors that impact the effectiveness of digital marketing. A 2019 AlixPartners report found that roughly half of the $60 billion spent on digital advertising in 2018 had either a negative return or its return was not even measured. Overall the report concluded that "approximately $50 billion of digital marketing and trade spend is wasted."[56]

If we take click rates, typically the industry-cited rate is 5 or so clicks per 10,000 ads served. That is a click rate of 0.05% with the conversion rate obviously a fraction of that. This compares to old-school direct marketing which had a conversion rate of 1-2% typically. Obviously digital costs much less as no printing or postal costs are required. But the lack of engagement is staggering - digital advertising is simply ignored by the vast majority of target customers or, even worse, it is actively disliked.

In *Advertising for Skeptics*[57], Hoffman cites a study that found that the eight types of advertising most disliked by consumers were all forms of online advertising. So it is no surprise that so many internet users deploy adblocking tools.

In a December 2021 LinkedIn article called *Interactivity: Advertising's Hidden Enemy*[58], Hoffman also debunks the myth that interactivity is an advertisers friend highlighting how push-button car radios, television remote controls and fast forwarding on video recordings enable people to avoid advertising. Rather than being a friend to advertisers, interactivity is actually their enemy.

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[56] Achieving profitable growth in consumer products: practical digital transformation, AlixPartners, June 2019

[57] Ibid

[58] https://www.linkedin.com/pulse/interactivity-advertisings-hidden-enemy-bob-hoffman/

Next we can look at the business impact of turning off digital marketing spend. The best-known example of this is P&G. In 2018, The Wall Street Journal reported that "After publicly pressuring major technology platforms to help clean up the online ad market and fork over more information about the effectiveness of digital ads, Procter & Gamble Co. slashed its spending on digital advertising by more than $200 million last year."[59] The CMOs of the world's two largest advertisers – Marc Pritchard, chief brand officer of Procter & Gamble, and Keith Weed, CMO of Unilever – both demanded action to clean up the digital swamp.

The WSJ article goes on to highlight that P&G's push for more transparency had revealed that this spending had been largely wasteful and that eliminating it had had little impact on the business. When it comes to marketing, where P&G and Unilever lead, others follow.

In a 2021 Forbes article, Fou cites a number of other examples of businesses that have successfully reduced spend or reach with no impact. "When Chase reduced their programmatic reach from 400,000 sites showing its ads to 5,000 sites (a 99% decrease), they saw NO CHANGE in business outcomes. When Uber turned off $120 million of their digital ad spending meant to drive more app installs, they saw NO CHANGE in the rate of app installs. When big brands stopped spending on digital ads, nothing happened. Even further back in time, in 2015 a large medical device company turned off half of its digital ad spend, and saw conversions stay the same, and in 2012, eBay turned off their paid search ad spending, and saw NO CHANGE in sales coming from those sources."[60]

Digital advertising proponents seek to counter this by arguing these are only short-term effects. But unlike brand building, which is inherently long-term, digital is primarily about activation which is focused on driving short-term conversions. So if turning it off is having no impact on short term revenues, how effective can it really be? Another reason for limited effectiveness is that a significant share of digital spend is siphoned off by middlemen. Hoffman has come up with a great visual for this called the Programmatic Poop Funnel.

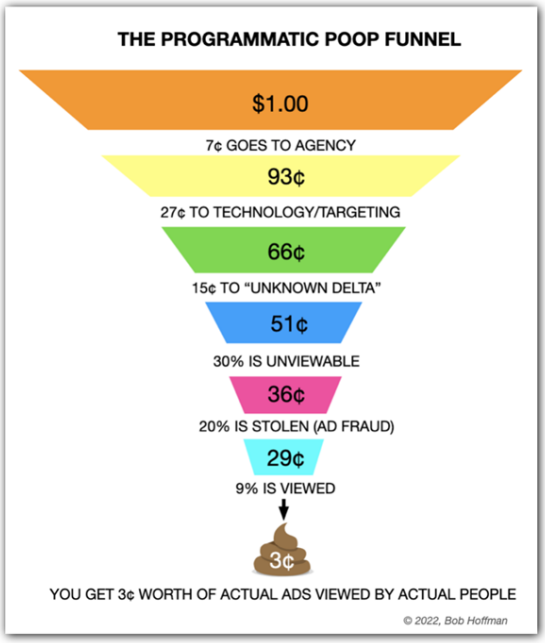

Figure 5: Programmatic Poop Funnel, source: Bob Hoffman, 2022

[59] P&G Contends Too Much Digital Ad Spending Is a Waste, Suzanne Vranica, Wall Street Journal, 1 March 2018

[60] When big brands stopped spending on digital ads, nothing happened. Why?, Dr Augustine Fou, Forbes website, 2 January 2021

As Hoffman describes it, you start with a dollar of digital advertising spend; the agency then takes a 7 cent fee; technology platforms (DSPs and SSPs) and targeting fees take another 27 cents; 15 cents mysteriously disappear into the unknown; then 30% of the ads you buy won't be viewable; about 20% will be consumed by fraud; with the end result that only 9% of your display ads will be viewed by a real person for even a second. He concludes that from a dollar spent, only 3 cents is spent on ads viewed by real humans.

Hiding the truth with falsification of reporting

Note it is real business outcomes we are talking about here – numbers of customers and revenues, not fabricated digital marketing metrics. The problem with the latter is that the sources are often those with an incentive to overstate them. And both Google and Facebook refuse to adhere to media industry third party verification standards, which means you only have their word for reach and levels of interaction. Experience has shown this to be worrisome.

In 2016 Facebook had to apologise for overstating how much time, on average, its users were spending watching videos.[61] In 2018, Facebook was also subject to a lawsuit regarding overstatement of the reach of its advertising. Internal emails that form part of the lawsuit show that employees were concerned that Facebook was promoting "deeply wrong" data. The filing goes on to state that Facebook COO Sheryl Sandberg acknowledged problems with the metric in 2017, and a product manager proposed a fix that would correct the numbers. But the company allegedly refused to make the changes, arguing that it would produce a "significant" impact on revenue.[62]

Advertisers could reasonably expect that their advertising agencies were helping ensure they were getting value for money. Sadly this has not proven to be the case. In 2017, Business Insider reported that a number of media buying agencies had made secret payments to clients, some as high as $10m to avoid their contracts with media owners being audited.

Business Insider reported: "multiple sources with knowledge of the matter suggested there have been at least 20 cases where either a settlement has been paid or where there are ongoing negotiations about a settlement payment." [63] Also that while the practice was not pervasive, a number of media buying agencies were involved, with settlements below a materiality threshold at which agency holding companies would need to report them in their annual accounts.

Much of this stems from the prioritisation of more quantifiable efficiency than less quantifiable effectiveness. As Russell Parsons explains in a MarketingWeek article. "The convulsions that followed the financial crash prompted the C-suite to question the worth of marketing and marketers. Instead of rising to the challenge of demands for greater accountability by demonstrating how marketing can drive meaningful growth, marketers retreated into a world of ever more meaningless measurement that showed that you could do more with less, without ever defining what 'more' meant."[64]

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[61] Facebook apologizes for overstating video metrics, John Herrman and Sapna Maheshwari, New York Times website, 23 September 2016

[62] Facebook employee warned it used 'deeply wrong' ad metrics to boost revenue, Adi Robertson, The Verge, 18 February 2021

[63] Ad agencies are paying out secret settlements so they don't have to show clients all their contracts, Lara O'Reilly, Business Insider, 24 January 2017

[64] Proving effectiveness of creativity is key to profitable marketing, Russell Parsons, MarketingWeek website, 10 June 2019

The bottom line is that marketers have retreated to what they see as the most defensible position for fighting C-suite scepticism. But this has come at a cost, not just to effectiveness but also to society. Social harms (1) – an uncompetitive market

As a starting point, digital advertising is not a competitive market – it is dominated by the triopoly of Google (29% market share by revenue in 2020), Facebook (25%) and Amazon (10%)[65]. As any student of economics will tell you, an uncompetitive market allows the leading players to extract excessive profits, as the financial statements of Alphabet (Google's parent company) and Meta (the group of which Facebook is part) show.

One example of how market power is being abused was highlighted in the October 2021 ICCL report[66] which found that: "Half of Google's ad revenue once came from helping publishers show ads on publishers' own properties. But now nearly all (85%) of Google's ad revenue comes from displaying ads on its own websites and apps, with the benefit of data siphoned from publishers' websites and apps."

Social harms (2) – privacy violations

The problem is bigger than lack of competition. How programmatic digital advertising can damage brands by showing their advertisements on cheap websites whose content is pornography (or worse) was highlighted above. This is obviously a major negative for the brand in question, but the damage is broader than that.

For the RTB process (described above) to work, buyers need to know how much to bid. To help them with this, a wealth of information collected from your online behaviour and other sources is shared without your informed consent. This is a significant breach of privacy.

Privacy is the foundation for much of what we take for granted. It is the sentinel to the citadel of personal freedom – once passed, the inner sanctum of liberty is open to attack. That may sound dramatic but it is not an overstatement. This is being brought into sharp focus by the recent Supreme Court decision to overturn Roe v Wade. The widespread tracking of online behaviour (e.g. using pixels on hospital websites or data sold to data brokers by fertility apps) will mean that ultra-sensitive data on abortion-seekers can be collected and bought by anti-abortion organisations who wish to target them. That data could also potentially be accessed by State governments who wish to prosecute.

The full extent of the privacy breaches created by tracking was detailed in a 2019 report published by the ICO (the UK data regulator) called *Update report into adtech and real time bidding*. This was a forensic piece of analysis that detailed the data protection issues the RTB process raised. Rather than use the evidence collected to make a legal challenge to all the businesses involved in adtech, notably Google and Facebook, the ICO took the conciliatory approach of trying to work with these companies to make changes.

On one level this is understandable – the ICO does not have the funding to match Google or Facebook in a legal contest. But on another it was deeply disappointing. And imbalances of legal resources have not stopped other regulators from taking the battle to these businesses. A notable example being the Belgian

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[65] eMarketer, November 2021, https://www.emarketer.com/content/google-facebook-amazon-account-over-70-of-us-digital-ad-spending

[66] Ibid

data protection authority which in early 2022 ruled that the Transparency and Consent Framework (TCF), created by the Interactive Advertising Bureau's (IAB) European arm to protect its members from many of the stipulations of the EU's General Data Protection Regulation (GDPR), was illegal.

Social harms (3) – security breaches, discrimination and manipulation

In 2018 I co-authored a report for Datum Future called *Opportunities and Challenges: Navigating the new world of data*[67]. Among many other things, we highlighted the five harms that data could cause individuals – privacy violations, security breaches, discrimination, inaccuracies leading to incorrect decisions, and manipulation of thoughts and behaviours.

But the reality is that privacy violations enable many of the others. Digital security breaches are only possible if privacy has been violated. As well as the RTB process violating privacy, there are so many participants in its ecosystem – all of varying sizes and data security capabilities – that data breaches are inevitable. The ICCL report mentioned above found that the RTB process "caused the biggest data breach ever recorded, jeopardising the right to privacy, right to protection of personal data, and right to freedom of thought."

Discrimination is also heightened by violations of privacy, as is manipulation, especially given the granularity of the data collected. As the ICCL report further points out, the data collected exposes citizens to profiling and disinformation. There is even a taxonomy created by the adtech industry association, the IAB, which standardises how people are micro-targeted (for example, the IAB code 600 denotes 'Christian').

Collectively these two harms add up to major societal consequences. Profiling on sensitive data such as religious beliefs can lead to minority groups suffering disproportionately in the way they are treated. Similarly micro-targeting can enable the manipulation of how people vote in elections. The proliferation of fake news, targeted at individuals with certain identified propensities has fuelled political polarisation and the rise of echo chambers where those of a similar persuasion can expound 'their truth'.

Increasing awareness of damage caused by tracking and programmatic marketing

A key aim of the GDPR was to protect privacy and it has led to similar initiatives worldwide, notably the California Consumer Privacy Act (CCPA). While these regulations have often proved toothless, they have certainly raised awareness of the issue of privacy. And this awareness has been boosted by an army of campaigners – Alan Mitchell, Ann Cavoukian, Doc Searls, Drummond Reed, Johnny Ryan, Julian Reacher, Katryna Dow, Liz Brandt, Max Schrems, Michael Veale, Professor Nigel Shadbolt, Pat Walshe, Sandy Pentland, Shoshana Zuboff and Wolfie Christl – to name a few.

Some of these people (often lawyers) are focused on protection of personal freedom, others more on innovation and the value that can be created if users are able to control and manage their personal data. But all agree on the foundational importance of privacy.

More importantly there is increasing evidence that this awareness is starting to change behaviours. Those with a vested interest have long hidden behind relevance and personalisation as benefits of digital advertising. And in surveys people will always respond positively if the question is phrased in terms of relevant versus generic ads. But increasingly people are becoming aware that this comes at a cost of

[67] https://www.datumfuture.org/wp-content/uploads/2020/11/datum_future_opportunities_and_challenges.pdf

sharing swathes of personal information. And the overturning of Roe v Wade will make these costs very real to those who have previously dismissed them as minor.

One example, particularly popular with younger generations, is dirtying data by using false information – fake emails, etc. – to protect themselves from being spammed. More importantly technology providers, notably Apple, are introducing tools to limit tracking.

Apple is seeking to be known for how its products help to preserve privacy. Cynics and open data enthusiasts will argue that this is Apple acting in its own interest – keeping the data in its walled garden so it can use it for its own revenue generating purposes. But from a privacy point of view, it is still beneficial to have personal data in Apple's walled garden than have it sprayed around the internet millions of times a day by RTB participants.

To support its positioning as a champion of privacy, in April 2021 Apple released iOS 14.5 which enabled iPhone owners to opt out of being tracked. Flurry Analytics has tracked opt-in/out rates since launch and as of April 2022, 82% of US iPhone users had opted out of tracking and 75% of global users[68].

The alternative to programmatic – contextual advertising

The issue at stake is tracking rather than digital advertising itself. At the moment the two are completely intertwined. Even if businesses place adverts with Facebook and Google directly as paid media – rather than participating in the real-time bidding process to place ads on other sites – this data is harvested and used by the gruesome twosome who are major enablers of the RTB process. But the link between tracking and digital advertising can be broken.

The alternative to tracking is contextual advertising which uses broad parameters rather than personal data to decide what adverts we are shown. *Sustainability without surveillance* was the title of the October 2021 ICCL report and the benefits of non-tracking-based advertising was a key focus. Two key findings were "a Norwegian news publishing group earned an average of 391% more for contextual ads than tracking based ads over 12 months" and "advertising revenue increased by 149% when Dutch publisher NPO Group replaced tracking-based ads with contextual-based ads."[69]

Now these are just two examples and more research needs to be done to make the case compelling. But even then the power of the triopoly to disinform and ram home messages that suit their business model is likely to overpower any messaging that highlights the benefits of moving from a tracking-based approach. So it is likely that tracking will continue for the next few years at least until consumer technology innovations or regulation make it unsustainable.

The future of marketing

So where does that leave us? The inevitable conclusion from the above analysis is that marketing has become the narrowest and meanest version of itself.

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[68] https://www.flurry.com/blog/att-opt-in-rate-monthly-updates/

[69] Ibid

With the rise of branding, marketers abdicated responsibility for creating value for customers. And this has been cemented by the ongoing battle between brand builders and digital activators over share of spend which has turned marketing into a 1-P discipline. Further the rise in spend on digital has led marketers to wilfully engage in behaviours that are damaging to society – fuelling fraud, invading privacy, enabling data breaches, increasing security risks, promoting discrimination and supporting widespread manipulation of behaviour – all in exchange for prioritising a medium that has very questionable effectiveness.

Unfortunately, it does not look like getting better in the short term. As Hoffmann's quote at the beginning of the chapter highlighted, each generation brings its own panacea. Waiting in the wings, ready to oust performance marketers from their position of prominence, is a cohort or fresh-faced marketing geeks who want to make non-fungible tokens (NFTs), the metaverse and other tech-based innovations marketing's next big thing. My best guess is that the next era will be tech-led marketing, though its economic imperative has yet to be defined.

A number of high-profile brands (such as Nike, Clinique, Coca-Cola, Ray-Ban, Gucci, Louis Vuitton, BMW and Bud Light) have embraced these developments – creating NFTs, sometimes in conjunction with the metaverse, to achieve the traditional marketing goals of boosting awareness, creating community and rewarding loyalty. Whether they achieve these goals better than existing methods, which would require adoption spreading beyond the current tech-loving niche fan base, is open to doubt. And using these technologies to increase the value provided to customers is not even on the radar.

The problem with tech-led solutions – and NFTs and the Metaverse squarely fall into this category – is that the starting point is what the technology can do rather than what customers need and value. As a result, the latter is an afterthought (if thought about at all) that is squeezed into a pre-defined set of technical parameters. The result is a solution looking for a problem and it is rarely as transformative as it is promised to be.

One exception is the first iteration of the internet which enabled businesses to improve the value their customer propositions provided, reach more customers and do so at a lower cost. It completely transformed sectors such as retail, financial services (payments in particular), recruitment, gambling, dating and pornography, changing the competitive landscape in the process. And within businesses it facilitated more efficient supply chain and customer relationship management.

Web 2.0 (interactivity and social media) also had mass uptake because it meant people could stay in touch with friends, follow admired brands/people and communicate ideas – all hugely valuable as far as consumers are concerned. But with web 3.0 (crypto, blockchain, NFTs, etc) it is not clear what is really in it for consumers.

But that hasn't stopped the marketing world from embracing the hype, with ad agencies and technology vendors creating specialist crypto and metaverse teams, all with the aim of persuading clients to drink the Kool-Aid. The result will be hysteria over the next couple of years before a likely implosion of interest as these technologies plunge from what the Gartner hype cycle calls the peak of inflated expectation into the trough of disillusionment. But the thing with technology is there will be another thing just around the corner, which is why tech-led marketing could be with us for a while.

The status of marketing

But even without the credibility damage that tech-led marketing could bring, the status of marketing is already perilous, notably its standing with CEOs is poor. According to the Fournaise Group, "we tracked that 80% of today's CEOs admit that they do not really trust and are not very impressed by the work done by their marketers – while by comparison, 95% of those same CEOs do trust and value the opinions and work of CFO and CIOs."[70]

Mark Ritson puts it even more strongly: "Talking crap about Instagram millennials might get you to the top of the marketing ladder, but once you get to the big room on the top floor these superficial tactical robes are quickly ripped away to reveal the naked impostor beneath. The CEO, CFO, CTO, CHRO, and general counsel look on with the amused, embarrassed countenance of friends who have discovered you are still breastfeeding your 12-year-old."[71]

One consequence is that the tenure of CMOs is the shortest of any C-suite executive. According to a 2017 HBR article by Kimberly Whitler and Neil Morgan, analysis by the headhunters Korn Ferry, found that CMOs stay in office for 4.1 years on average; CIOs average 4.3 years; CHROs 5.0 years; CFOs, 5.1 years; while CEOs do best of all averaging 8.0 years. The authors go on to say, "our own research indicates that churn rates may be even worse: We found that 57% of CMOs have been in their position three years or less."[72] In some cases CMOs are being replaced by Chief Customer Officers or Chief Growth Officers.

But most damning of all is the paucity of CMOs that sit on company boards. Research undertaken in 2019 by another group of headhunters, Spencer Stuart, identified only 26 board seats at Fortune 1000 companies being currently occupied by marketing leaders.[73] Given each board will typically have ten or more board members, that is a minute percentage for an activity that should be driving company growth.

So what can be done about it? Already there is a bit of a rebound towards prioritising brand building over performance marketing – Airbnb being an example that has been gleefully cited by the branding community.[74] And as the Cannes Lion awards show, advertising agencies are latching onto brand purpose as a way to build brand equity.

The shame is that marketing isn't rebounding to focus on customer utility and value. That is still a viable and profitable strategy if marketers would embrace it. This was highlighted to me in a conversation last year with Thierry Zamora, a CMO with experience of working at multiple Silicon Valley businesses such as Electronic Arts (EA), GoPro and Twitter for example.

We were arguing about the effectiveness of digital performance marketing, with Thierry arguing that it could work very well, citing an example from his time at EA. His point was that in gaming a great time to persuade a customer to upgrade (buy a new weapon, for example) is when they have just failed to reach

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[70] Marketing and effectiveness news and releases, the Fournaise Marketing group, 21 September 2015

[71] Marketers' only shot at influence is to embrace the CMO title, Mark Ritson, MarketingWeek website, 25 July 2019

[72] Why CMOs Never Last and what to do about it, Kimberly A. Whitler and Neil A. Morgan, HBR, July-August 2017

[73] CMOs on boards, Richard Sanderson & Gregory Welch, Spencer Stuart website, April 2019

[74] Airbnb hails early results from shift to brand building over performance marketing, Michaela Jefferson, MarketingWeek website, 14 May 2021

the next level. The marketing messaging is simple, ‘with this new gun/sword/axe you will more easily reach level 19’.

But to me this is less about performance marketing and more about customer utility. The customer has an outcome in mind, reaching the next level, and they have a number of jobs that they need to complete to do so – killing zombies, navigating mazes, avoiding booby traps, etc. – and what EA was doing was helping them to more easily accomplish these tasks.

Marketing may not control some of the key levers of creating value for customers, with products owned by the CPO rather than CMO and services managed by digital teams, but it can still create value by providing the right information at the right time via the right channel to customers.

This is marketing-as-a-service, where marketers redefine their role as helping customers achieve their desired outcome and complete their JTBDs. Many of these jobs are information related, so they are in the sweet spot for marketing to support, and they cover the whole customer experience lifecycle – helping customers identify that they have a need, helping customers specify what it is they actually need, helping customers identify the options that they have, helping customers select between these options, helping them transact, helping them with installation and initial use, helping them with support and maintenance, helping them identify upgrades that would be beneficial and finally helping them with end-of-life activities such as disposal.

All this would have a major impact on the key customer metrics – acquisition, retention, cross- and up-selling, and profitability. These all add up to faster growth – the economic imperative of the 1960-1990 customer utility era.

But I don’t see it happening as creating value for customers is so far off the marketing radar these days. Senior marketers only think in terms of brand marketing and performance marketing – and maybe tech-led marketing in the future. The good news for customer experience (CX) professionals is that this creates a massive hole which CX can fill.

All businesses want to grow and you cannot grow unless you have a clear strategy for creating value for customers so as to create value for the business. This is what CX strategy should be all about.

But despite their being this amazing opportunity, the CX community is missing out on really making an impact at senior management levels through religious adherence to principles, practices and pronouncements that alienate C-suite executives. As a result of which it has even less credibility in the C-suite than marketing! This is the focus of the next chapter.

2. CX profession is fluffing the opportunity that has been presented

The decline of marketing has created a huge opportunity for customer experience to become a C-suite focus but the quasi-religious adherence by CX practitioners to a one-size-fits-all approach and other flawed thinking is preventing this from happening.

The previous chapter highlighted the gap that customer experience can fill. This would involve owning the whole process of creating value for customers to create value for the business. But the chances of CX practitioners establishing sufficient credibility to be given such a broad responsibility is minimal due to self-inflicted harms, though this can be changed.

This lack of credibility stems from how CX professionals talk about customer experience – unquestioning adherence to ideals that have been laid out by industry gurus and ignoring business context in the process; a desire to emulate exemplars whether they are relevant comparators or not; a focus on operational issues rather than strategic ones; the elevation of 'best practices' over appropriate practices; a desire to delight customers with amazing service and frictionless experiences whether that is strategically valuable or not; and a focus on metrics such as customer satisfaction (CSAT), net promoter scores (NPS) or customer effort scores (CES) rather than the commercial metrics that matter to senior management.

CX has even less credibility than marketing

The previous chapter detailed how distrusted CMOs have become – how few sit on company boards. But if we look at how many CX practitioners make it to the top table, the situation is even more pitiful.

For a start, relatively few businesses have Chief Customer Officers (CCO). The CCO role is not new, but there has been renewed excitement in the CX trade press recently, suggesting the role is coming back. The problem is that the numbers remain small.

In a November 2021 post, CNBC enthused: "a big focus in the C-suites of many of the world's largest corporations has been the creation of a new executive rank: Chief Customer Officer."[75] But it then went on to name just five companies where this role has been recently instituted – CVS Health, McDonald's, Under Armour, United Natural Foods and Walgreens. (Volkswagen has also recently created a CCO role.) The bottom line is that CCOs are a long way from being ever-present at large companies.

At the same time some companies are getting rid of the role. According to Neil Sift at MyCustomer: "Bloomin' Brands Inc., parent company of restaurant chains such as Outback Steakhouse, announced last month that it is abolishing the role of chief customer officer, with the chief marketing officer taking control of customer strategy."[76]

More concerning for ambitious CX professionals is that these new CCOs have not come up through a classic customer experience career path. Manu Steijaert, the recently appointed CCO at McDonald's, had a few stints in field services but prior to his elevation, the bulk of his experience was in operational roles, along with time as Managing Director of McDonald's in the Netherlands. It is a similar story with Massimo Baratto, Chief Consumer Officer at Under Armour. His background includes being a CMO and some

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[75] A new top job at McDonald's that is all about understanding the customer, Maggie Overfelt, CNBC, 28 November 2021

[76] Is steakhouse chain wrong to have a beef with CX leadership?, Neil Sift, MyCustomer, 28 January 2022

managing director roles before becoming CCO. The same applies to Tracey Brown, CCO at Walgreens, and Dr Markus Kleimann, Chief Experience Officer at Volkswagen.

What these people do have in common is a background in strategic decision making and none of them talk about having any customer experience certification on their LinkedIn profiles. Having a Certified Customer Experience Professional (CCXP) qualification won't help you become a CCO (and it may even be a hindrance).

Not surprisingly given the paucity of CCOs, the number that become CEOs is minimal. And it was deemed newsworthy in the customer experience world when the Chief Customer Officer of the Principality Building Society in the UK, Julie-Ann Haines, was named its new CEO.[77] Put bluntly, customer experience management is not a well-trodden route to the top, despite the good arguments for it being so.

In part the lack of progression CX offers is due to the relative immaturity of the profession – it has been around for only 20 years. And during that time the enthusiasm for having a CCO has waxed and waned. Google Trends highlights a peak in 2004-2005, after which the initial enthusiasm cools.

The typical remit of a CCO covers marketing, sales and service. According to Camille Nicita, managing director North America at Gongos, "The CCO fosters a customer-centric ecosystem that includes aligning the organisation internally to succeed with an authentic customer-centric presence."[78] (Later in the chapter we will come to why customer-centricity is a false grail.)

While CX experts like Nicita extol the importance of a CCO from a philosophical point of view, politically the role is a difficult one as it steps on the toes of powerful people. The breadth of the CCO role means it impinges more on the strategic decision-making responsibilities of the CEO than narrower C-suite roles.

At the same time, it also acts as a blocker to influential underlings who control the majority of customer-facing expenditure – the CMO in business-to-consumer (B2C) sectors and Chief Sales Officer (CSO) in business-to-business (B2B) industries. These roles are critical to commercial success – as such, the people in them want to report to the CEO directly rather than through an intermediary. If they are blocked by a CCO, they will try to oust them. And if they manage to circumvent them, then the CCO becomes little more than a ceremonial figure.

So no surprise that businesses like Bloomin' Brands are getting rid of the CCO role. Also by focusing on marketing, sales and service and not including oversight of the product organisation, one of the most important factors as far as customers are concerned is excluded from the CCO's responsibilities. (Given the importance of product interactions, arguably responsibility for the end-to-end customer experience should be part of the Chief Product & Service Officer's role.)

Without a CCO in charge, leadership of customer experience is downgraded to a 'head of' position, with limited accountability and responsibility. This was confirmed by research undertaken by MyCustomer for Confirmit.[79]

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[77] Seven reasons why customer experience managers will make great CEOs, Neil Sift, MyCustomer, 29 June 2020

[78] Ibid

[79] The Rise of the Customer Experience Leader: 2020 research report, MyCustomer, 9 June 2020

This found that less than 40% of customer experience leaders reported directly to the CEO. More damningly, the research discovered that "CSAT and NPS are commonly used to gauge CX programme success by CX leaders – but few measure its business value with financial metrics." A not surprising consequence was that only 9% of CX leaders saw Return on Investment (ROI) as a priority in the coming 18 months.

As is highlighted in more detail below, NPS is an indirect measure of success. What matters to shareholders is ROI and any executive with aspirations to be CEO needs to prove they can deliver on that front. So if CX leads are not responsible for delivering commercial results, the chances of their being promoted to the C-suite are slim. Lack of commercial responsibility is down to lack of trust – customer experience is not taken seriously as a business discipline (for the reasons outline below). And changing that requires CX professionals to drastically enhance their skills beyond what current training and on-the-job working delivers. Then transform the perception that senior executives have of them by showing they can think strategically rather than parrot the traditional fallacies.

There was a fashion a few years ago for customer experience experts to write CX guides for CEOs. As valuable as these guides may have been, even more valuable would have been a guide for CX practitioners to what CEOs want – their priorities, what keeps them awake at night and what captures their attention. But as most CEOs have more important things to do, such a book has yet to written.

The irony is that while empathy towards external customers is universally lauded in the CX world, empathy towards internal customers – in the form of those in the C-suite and their strategic priorities – receives next to no attention. The CX guides for CEOs seek to educate and inform them as to why customer experience is a key component of business success. At the same time, they presume to state what good CX looks like, without reference to a business's specific context – its industry, market position, intended differentiation, scale and the level of resources the business can invest in customer experience. Most writing on CX strategy glosses over such context when it should be the most critical consideration.

At this point you may be thinking – there is no way that customer experience team will be given such broad responsibility in my organisation. Possibly, but the decline in the influence of marketing has created a vacuum which customer experience can fill if CX professionals show they have the strategic and commercial smarts to make the most of the opportunity. The time for CX leaders with ambition to grab this opportunity is now.

I use the term ambition deliberately. Doubtless there are many people in the CX tribe who are happy with the way things are – delivering change in contact centres, mapping journeys to improve digital experiences and improving service levels across the board. But if your career ambitions are bigger than that and you want to be part of a new community – let's call it the #CXProToCEO tribe – then a completely new way of thinking is required. Paying heed to the standard books, articles and webinars is more likely to hold you back than help you achieve your goals and aspirations.

The rise of the CX monoculture

At the heart of this problem is the religious adherence to the CX monoculture that is fostered by publications, social media pronouncements and training programmes.

Over the past twenty years, the customer experience profession has developed and matured. For the most part these developments have been positive with advances in tools (such as journey mapping) and

professional standards. But in its rush to professionalism, the CX industry has created a one-size-fits-all approach to customer experience strategy. If you follow CX-related hashtags on Twitter or LinkedIn, the same themes crop up again and again - delighting customers by delivering amazing service, frictionless experiences and being customer-centric.

Defaulting to a norm is the antithesis of differentiation – it leads to sameness and discourages innovation. Strategy is about how you deploy your scarce resources to achieve superior financial returns by being distinctive from competitors. There are no givens (beyond legal and ethical considerations), just choices. And when there is zeal for absolutes, good strategy development suffers.

Effective CX strategy development requires a willingness to be different – listening to all the advice that is on offer but not feeling pressured into following others because the CX filter bubble asserts it is the right thing to do. So while these social media pronouncements are grounded in years of CX experience and often display virtuoso insight, they ignore context and the basics of good strategy development. As a result they are unlikely to be appropriate and may even be dangerous.

Adrian Swinscoe, author of *Punk CX*, likens the customer experience profession of today to the 1970s rock scene. The early 1970s saw the rise of progressive or 'prog' rock which Swinscoe describes as "overly technical, too elaborate and complicated, inwardly focused, a little exclusive and in danger of disappearing up its own a***".[80]

Extended guitar solos were one of the features of prog rock as artists sought to outdo each other with displays of their virtuosity. But for the most part they ended up all sounding just the same. Ultimately they were simply variations around a common theme with what made them similar – the prog rock ethos – a far more powerful force than the technical distinctions that made each one slightly different.

The parallel that Swinscoe draws with the CX industry is very apt. Many of the musings of CX experts on social media are designed to be distinctive – for obvious reasons – but because they are all based on the same set of assumptions, they end up all sounding the same. If you share the same core beliefs your ability to be radically different in what you say is completely curtailed.

The self-importance of prog rock created a backlash in the form of punk rock. In Swinscoe's words punk rock "dared to be different and was OK with the fact that not everyone liked that." I'm not sure Johnny Rotten will go down as a business genius but being different and being OK with not everyone liking what you offer is at the core of good strategic thinking. Strategy is about choices, including deciding who you are not trying to please. That often translates into offering less on one dimension to offer more on another. Or as Swinscoe puts it, being great at one or two things is better than being average a lot.

6 Reasons why standard CX thinking prevents CX becoming a C-suite priority

If we translate this into specifics, there are six reasons why standard CX thinking will hold you back if you are trying to make customer experience a C-suite priority and elevate yourself accordingly.

[80] Punk CX says 'Great at a few or average at a lot', Adrian Swinscoe, adrianswinscoe.com, 19 August 2019

Reason 1: Selecting exemplars based on philosophy rather than financial performance

If you accept the principle of CX being a commercial discipline, the starting point should be identifying relevant comparator businesses with superior growth records and superior profitability, then seeking to learn from these exemplars about the customer experiences they deliver. But the CX profession does the opposite – its starting point is philosophical rather than commercial.

As a result the same narrow pool of exemplars crop up time and time again – Zappos, Nordstrom, Southwest Airlines, Starbucks, Ritz Carlton or other leading hotel chains. All of these conform to the monocultural view of what a great experience looks like – empathetic and human, going above and beyond, adaptive to individual consumer needs, etc. – rather than a results-driven view.

These companies do deliver a great experience, no doubt. But they are not the only ones if you define great from a commercial perspective – creating value for customers to create value for the business. And when we look through the lens of business success, we get a very different perspective on what a good customer experience looks like.

Let's take the airline industry as an example. Over the ten years leading up to the start of the pandemic, the ultra-low-cost carriers (ULCCs) took the industry by storm. As the late Sampson Lee, former President of Global CEM, pointed out,[81] they have grown at exceptional rates because they deliver great value to customers in the form of low prices and the experience they provide is in keeping with that proposition.

The ULCCs are examples of businesses pursuing a strategy based on operational excellence that enables them to deliver low prices, fast turnarounds and good reliability with only a basic level of service being provided. Over the ten years to 2019 easyJet, jetBlue and Ryanair showed a compounded annual growth rate in passenger numbers of 6-9% per annum (see Figure 5 below) and in revenues of 9-11%, all while increasing the load factor – the key determinant in profitability – meaning that profits grew at over 12% per annum. By contrast, over the same period Southwest Airlines, a darling of the CX industry, enjoyed passenger growth of only 5% on a compound annual basis.

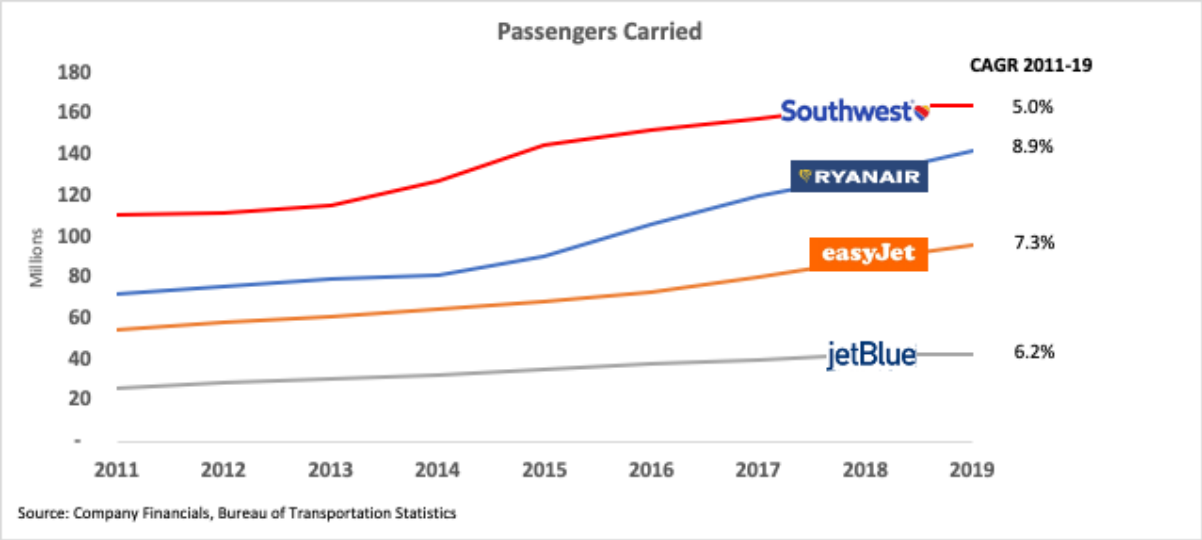

Figure 6: Growth in passenger volumes, 2011-2019

[81] Stop Practicing Fake CX, Sampson Lee, LinkedIn post, 9 April 2018

Now I am not trying to argue that because jetBlue has grown faster than Southwest, it provides a better experience. But what I am saying is that good is not uniform – what good looks like depends on your strategy, not a set of CX profession norms. And in the context of their strategy, jetBlue has provided an experience that has enabled it to grow faster than a noted CX exemplar in their industry.

Lee made the same point about IKEA. IKEA has bucked the trend of retailers failing beyond their home markets and now has 433 stores in 40 countries. It has done this by tailoring its product range to local tastes while retaining the core trade-off in its proposition. Trade-offs are the essence of good strategy – you cut out certain things from your offering to enable you to be brilliant at others (even just one thing).

At IKEA customers enjoy a wide choice of well-designed furniture at a reasonable price but the shopping experience is functional rather than enjoyable and effortful rather than convenient – customers must assemble the furniture themselves. By the standards of conventional CX thinking, IKEA should be seeking to delight and reduce effort, but the experience it provides is totally appropriate for its value proposition and overall strategy. More importantly it has proved to be amazingly successful.

Of course it would be quite easy to test the hypothesis that the much cited CX exemplars have delivered better superior financial performance to relevant comparators – just re-read the books of Colin Shaw, Shaun Smith and others who wrote about customer experience in the early 2000s, create a list of the companies cited and then analyse whether they have outperformed their sectors in financial terms (sales, profit, return on capital) or in returns to shareholders (dividends plus share price appreciation). But no one has chosen to do that.

Reason 2: The deification of customer-centricity

Probably the greatest damage to the credibility of CX with the C-suite is the parroting of the need to be customer-centric. It is a prescription that is falsely justified, anti-strategic, hypocritical, self-serving and overly simplistic. Using it is likely to hinder rather than help you achieve your goals.

My issue is with the word 'centricity' and the commonly held definition of customer-centricity as putting the customer at the centre of everything you do. I have no problem with expressions such as customer-focused or customer-led – and I think these terms have all the advantage of bringing attention to what creates value for customers without the baggage that the centricity suffix brings. That said, my preference is always to spell it out – your focus should be on creating value for customers to create value for the business. It takes a bit more effort to be specific but the greater clarity it brings is worth it.

In truth I don't think many CX practitioners think about what centricity really means and use it as a default setting – to be part of the CX tribe I need to wear my support for customer-centricity as a badge – search for "customer-centric" in people and you get the best part of half a million hits.[82] But it is worth noting that many of the most revered voices in the industry choose to use one of the alternatives mentioned above.

I do accept that if you are seeking to change the culture within a customer-facing function such as customer service, then using customer-centricity as a clarion call makes sense (although customer-focused would work just as well). But if you are thinking strategically and working with senior managers from across the business on a major transformation, then it is more of a hindrance than a help.

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[82] Search for customer-centric without inverted commas and the results top 5 million

Falsely justified

As highlighted above, there are sectors where businesses delivering low prices have outperformed those focusing on delivering a superior customer experience. But that hasn't stopped researchers from trying to justify customer-centricity on the grounds that it delivers superior performance. The problem with these studies is that they are seriously flawed and most CEOs would laugh if they looked at them.

Customer-centricity can only be defined in very loose terms such as putting the customer at the centre of everything we do. The problem with such vague definitions is knowing whether you are being successful or not. Measures such as NPS, CSAT and standard customer strategy metrics (covering customer acquisition, retention, growth and profitability) quantify effects rather than causes. We need to be able to tie changes in these outcome measures to effective measurement of customer-centricity if we are to understand the impact it is having.

But as there is no way of tightly defining customer-centricity, there is no way of objectively measuring it so we can understand whether it delivers desired results. And without an objective way of defining and measuring it, we cannot track whether improving customer-centricity definitively impacted the KPIs that the C-suite really care about.

Despite that, there have been a number of studies attempting to justify the importance of customer-centricity, but they employ false justification.

Some of these have fallen into the same *post hoc* trap that Stengel fell into when trying to rationalise the importance of brand purpose – picking out top performing companies and retrofitting the delivery of a superior experience onto those selected.

Others have used subjective and questionable survey techniques.

One example of the latter is an EIU study (sponsored by Genesys) which states: "64% of executives who said CX is important to their organisation's future investment priorities believe their company is more profitable than their competitors. Almost two thirds (59%) of these respondents also believe they have better revenue growth than their competitors, and 63% believe they offer a more positive customer experience."[83]

Studies using the same self-scoring methodology have been produced by the XM Institute[84], which according to a Forbes article "shows that 89% of companies that lead with customer experience perform better financially than their peers"[85] and by Vantage Partners which claimed that companies reporting a "very mature" level of customer-centricity experienced 2.5X revenue growth compared with those reporting their company was "very immature."[86]

There are multiple problems with these studies.

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[83] The value of experience: How the C-suite values customer experience in the digital age, The Economist Intelligence Unit, 2015

[84] The global state of XM 2020, Bruce Temkin, Moira Dorsey and David Segall, Qualtrics XM Institute, April 2020

[85] The top 100 Most customer-centric companies of 2022, Blake Morgan, Forbes, 1 May 2022

[86] What is customer-centricity, and why does it matter?, Jonathan Hughes, David Chapnick, Isaac Block, and Saptak Ray, California Management Review, 26 September 2021

The first problem is that because customer-centricity is so hard to tie down, they all rely on subjective definitions to define leading with customer experience or a company's level of customer-centricity. Not a great start.

More importantly, because they are self-scored there is no authentication of either the relative level of customer-centricity or the relative revenue growth. The studies are subjective, non-verified and definitively do not 'show' that customer-centricity leads to superior financial performance, as the CX expert cited above claims. The thinking is that if these executives believe that they are more customer-centric and faster growing than their competitors, that's OK then. And as far as the CX professionals who amplify these studies are concerned, that would appear to be the case.

Thirdly they do not account for other factors. Success has many claimants so managers in successful businesses are prone to claim that it is superiority in their area is a key factor. So if the supply chain or operations team or finance teams were asked similar questions about their level of maturity, they likely would have scored themselves as highly. If these studies were rigorous, they would be exploring the possibility that success in other areas could be the true reason for financial success.

This further raises the possibility of reverse causality – that success due to other factors has generated higher profits which has enabled more to be invested in customer-facing activities, thereby giving the illusion that the latter drives the former when the opposite is true. But in none of these studies was there an attempt to investigate alternative theories because in all cases the authors had a desired outcome in mind and were not interested in seeking out evidence that could possibly counter their starting hypothesis.

The fundamental issue is that these studies constitute self-interest, wrapped in a coating of pseudo-science. They are Bozonomics – fatuous justifications aimed at those with an agenda to push so they won't apply the critical thinking necessary to expose them for what they are. The problem is that most CEOs aren't bozos and won't buy into this type of baloney.

But they gain traction when someone starts from a philosophical viewpoint and then contorts themselves to find evidence to support it. In the process they fail to recognise that customer experience should be contextual – that the experience offered by successful businesses like Ryanair and easyJet is completely in line with their value proposition and that is entirely appropriate. But because they don't fit the mould of what a good experience is supposed to look like, they are excluded.

Until there is recognition that there are good and suitable alternatives to the monocultural view of being customer-centric, the industry will continue to lack credibility because it will continue to be forced into cherry-picking evidence to rationalise why it should be prioritised. And as Stengel found, that type of justification just results in loss of credibility and trustworthiness.

Anti-strategic

One of the cornerstones of the CX monoculture is the idea of seeking to delight customers through providing amazing service or frictionless experiences. Clearly anyone who promotes lack of friction as a universal benefit has never had sex or had their back scratched. Even in the context of B2C experiences it shows flawed thinking for three reasons.

Firstly when much of the pleasure is in anticipation – like ordering a luxury good that is customised to the consumer's specific desires – delaying realisation heightens the pleasure. Secondly a delay can make a application process seem fairer and more human – your failed request for a loan has been looked at by an individual rather than simply being rejected because the algorithm says no. Thirdly it can help prevent consumers from making a bad decision if a pause to give them time for reflection is engineered into the experience. So it is far from being a universally good thing in terms of experience design, and that is even before you get to the question of whether it is strategically appropriate or not.

The belief in amazing service has its roots in customer contact centre transformation where improving service levels is often a priority, particularly for CX professionals (but not necessarily for CFOs). Establishing a vision of a future which entails amazing service and delighting customers can be helpful in this context. But we need to remember that there may be other priorities – reducing cost to serve, for example – and it may not fit with the overall business strategy. It doesn't make sense to delight customers with amazing service if you are focused on delivering value to customers by offering very low prices, like easyJet or IKEA.

While offering amazing service would appear to be a great thing to do on the surface, it comes with costs. Firstly there is the direct cost – the time taken to go above and beyond customers' expectations. Secondly there is an indirect one in the form of customers' expectations being raised, meaning they are more likely to be disappointed if they don't experience excellent service levels next time they call.

That said, seeking to delight customers is clearly the right thing to do so long as it is strategically appropriate and the exceptional service levels can be sustained. But in others it may be better to aim to satisfy rather than to delight – achieve parity on service levels because distinctiveness is achieved in other ways. A commercial choice needs to be made based on costs and benefits, competitive positioning and strategic fit.

When considering strategic fit, Michael Treacy and Fred Wiersema describe three value drivers in their seminal book *The Discipline of Market Leaders*. These value drivers are the ways in which market leading businesses successfully create value for both customers and shareholders – product leadership, operational excellence and customer intimacy.

When you consider all three of these value drivers, only with a strategy of customer intimacy does customer-centricity make sense. But businesses following operational excellence (such as easyJet) or product leadership strategies (such as Nike) also need to design the experiences they deliver to customers. These experiences need to reflect how they create value for their customers – defaulting to ideas derived from a different way of competing won't work.

Hypocritical and self-serving

Customer intimacy manifests itself in proactivity and customising the service provided to the specific needs of the recipient. This requires a high level of understanding of business context, matched to a willingness to adapt the offering to what creates most value. It is a pre-requisite for consulting businesses, the irony is that any CX consultant who always prescribes customer-centricity as the right strategy for their clients is being the opposite of customer intimate. Promoting customer-centricity in all situations is not client-centric – it is hypocrisy writ large.

Another problem with the CX professionals demanding customer-centricity is that it is so obviously self-serving. Consequently it can be dismissed as "they would say that, wouldn't they?"

The logical consequence of customer-centricity is that customer-facing teams should be more important than all other teams in the business and that the person who owns customer experience should be elevated above other senior managers. This is not going to win friends in high places – it is the opposite of being empathetic to the internal customers to whom you must sell your CS strategy.

Now I am the first to say that customer experience should be a C-suite priority – that is the whole focus of this book after all. But how you get there is important. Whereas everyone in the organisation can get behind "being more customer-focused" asserting the need to be customer-centric is more likely to alienate than align. It comes across as arguing the organisation should be CX team-centric.

That was certainly the view of one CEO I discussed this topic with. He said he would not allow anyone preaching customer-centricity into his business as it would be akin to those in customer-facing roles saying they were more important than any other part of the organisation. It would be divisive and the resentment it would cause would not help achieve the desired change of improving the customer experience.

Overly simplistic (1) – creation of an unprofitability trap

If you take the idea of customer-centricity to an extreme, you give everything away free to customers. You are so focused on creating value for customers that creating value for the business (and looking after other stakeholders) is sacrificed.

No one who advocates customer-centricity really means that (at least I hope not), but the risk is that the share of value created flows too much to customers and not enough to the business.

This is the problem the poster children for customer-centricity – WeWork, Airbnb and Uber – all experienced. Valuations of these businesses have plummeted as investors have become increasingly concerned that they cannot escape the unprofitability trap.

For example, in summer 2019, when it was supposed to be quoted on the New York Stock Exchange, WeWork' principal investor Softbank valued the business at $49 billion. The Initial Public Offering (IPO) never took place due to the misgivings of the mutual funds and pension funds expected to buy shares. And Softbank subsequently slashed its valuation at end December 2019 to around $7 billion and again to under $3 billion at the end of March 2020 once the impact of the pandemic started to become clear. Eventually in October 2021 it went public through a special purpose acquisition company with a valuation of $9 billion. While popular with customers, it continues to be unprofitable with earnings before interest, tax, depreciation and amortisation (EBITDA) estimated to be in range of -$400 million to -$475 million for 2022.

By contrast, both Airbnb's and Uber's 2020 IPOs were successful, with the economic impacts of COVID-19 seen as short term rather than as an invalidation of their whole model. Airbnb is valued at around $73 billion (as of May 2022) having never made a profit although it is expected to be profitable in 2022. Similarly, Uber is valued at $46 billion and is not expected to make a profit until 2024. Clarity about its long-term viability is also missing.

Of course, the same was said of Amazon back in the early 2000s. Amazon's mission is to be the most customer-centric business in the world and the value it creates for customers is exceptional – low prices, wide choice, convenience, speed of service and no quibble returns. But if we were to use Wiersema and Treacy's classification, Amazon's primary value driver is its exceptional operational excellence where it is

miles ahead of any of its competitors, rather than customer intimacy. And because of this it can deliver amazing value to customers and still make money.

But in addition to the efficiency of its operating model, is Amazon also customer-centric? Bezos's insistance on there being an empty chair in meetings to represent the customer is suggestive that it is. But do you get a customised service from Amazon? No. Are you able to communicate with Amazon through a channel of your choice? No. Can you speak to anyone if you want to discuss something? No. Is Amazon a human and empathetic business? No (especially if you consider how staff are treated like robots.)

Amazon's product listings are also driven by what is most profitable for Amazon rather than what is in best interests of customers. In a blog piece, Cary Doctorow outlines how product listings are the result of competition among sellers rather than a best fit for customers. "Amazon is collecting billions from the sellers who rely on the company as their main retail channel, who are locked in a bidding war to buy the top spots in search and product pages."[87] This is a long way from how anyone would describe customer-centricity.

Another strike comes in the form of the dark patterns that Amazon uses in its customer experience, including winning the dark pattern of the year award at the 2018 UK UX (user experience) awards. Dark patterns use what we have learnt from behavioural science to deliberately trick or mislead users into actions they might not have otherwise taken. They are most obvious in the social media domain where businesses seek to manipulate our dopamine levels – the pleasure surges we experience – to encourage us to spend more and more time on their platforms. But Amazon also uses them to make it both uncomfortable and difficult when customers try to unsubscribe from one of its services, such as Prime.

Many UX designers regard such behaviour as unethical – the opposite of customer-centric. There is no doubt that Amazon is an amazingly successful company, but to classify it as customer-centric because that is how it describes itself is to misunderstand, in my opinion, the real reason for its success.

Uber, WeWork and Airbnb are still at the early stage where they are still subsidising customers to use the service. Currently markets are anticipating they will find a path to profitability and if they do, like Amazon it will be exceptional operational excellence that gets them there rather than customer-centricity.

Overly simplistic (2) – downgrades importance of staff satisfaction

At a customer experience conference about five years ago, the keynote speaker was a senior executive from the John Lewis Partnership – a business that has consistently been ranked at or near the top in the annual UK Customer Satisfaction Index survey.

He proudly announced that John Lewis wasn't customer-centric – it was staff-centric (or partner-centric to use his exact words – with John Lewis being a partnership where employees share in the profits of the company). Staff-centricity is also something that Richard Branson has preached and practiced at Virgin, where delivering a superior customer experience has been the mainstay for breaking into new markets.

The relationship between staff satisfaction and customer satisfaction was first noted nearly 30 years ago in a pioneering article by KD Hoffman and TN Ingram in the Journal of Services Marketing. And it remains a

[87] Amazon's $31b "ad business" isn't, Cary Doctorow, Pluralistic, 27 February 2022

constant theme in business publications such as the Harvard Business Review to this day.[88] Even in an age of increasing self-service, when you do want to speak to someone, it is important that they are empathetic, energetic and helpful – all of which is more likely if they are happy in their job.

So if staff-centricity is that important, we now are looking at twin centricities – staff-centric to be customer-centric. But the reality is even more complicated than that.

Overly simplistic (3) – ignores importance of other stakeholders

Staff and customers are not the only stakeholders in a business – the interests of suppliers, partners, local communities and, of course, shareholders need to be considered by the CEO, indeed by all members of senior management. (And from a customer perspective, both suppliers and partners often pay a key role in the experience that is delivered.)

Having developed the idea that the value exchange in customer strategy could be applied to other stakeholders. I wrote an article for the Harvard Business Review website on how a multi-stakeholder approach to strategy development could be of benefit to shareholders[89] and co-authored an article for *Strategy*[90], the journal of the Strategic Planning Society, on how creating a stakeholder scorecard would be a way of operationalising such an approach. (More detail on this is included in Chapter 4.)

At the time of my writing these articles there were far more prominent voices arguing for a multi-stakeholder approach, including the senior partner of the consultancy McKinsey. But it wasn't until 2019 that this idea really become mainstream when the Business Roundtable announced the release of a new statement on the purpose of a corporation. This statement was signed by 181 CEOs who committed to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders. This replaced the previous more singular focus on the purpose of corporations being to benefit shareholders.

This caused a minor uproar among proponents of the view that maximising profits is the duty of a business and the best way to drive efficient allocation of resources in an economy.[91] Missing from these arguments was a nuanced understanding that shareholder value growth is not sustainable if the interests of other stakeholders are trampled in the process. As with building brand value, increasing shareholder value requires obliquity and an indirect approach.

However the direct approach was very popular in the 1980s, led by the likes of Jack Welch of GE, and in the 1990s when 'Chainsaw' Al Dunlap achieved notoriety. GE was of course hugely successful under Welch but since his retirement it has struggled. By contrast Time named Dunlap one of the 10 worst bosses of all time[92]. And while his approach of mass redundancies and squeezing suppliers (coupled with dodgy accounting) boosted short term profits, it proved to be the equivalent of enforced corporate anorexia. (Sunbeam, where Dunlap had been CEO until he was fired in 1999, filed for bankruptcy in 2001).

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[88] The Key to Happy Customers? Happy Employees, Andrew Chamberlain & Daniel Zhao, HBR website, 19 August 2019

[89] Implementing a Stakeholder Strategy, Jack Springman, HBR website, 28 July 2011

[90] Developing a Stakeholder Scorecard, Jack Springman & Richard Sanders, Strategy issue 26, February 2011

[91] Big business is beginning to accept broader social responsibilities, The Economist, 24 August 2019

[92] Top 10 worst bosses, Dan Fastenberg, Time website, 18 October 2010

At the other end of the spectrum, the Business Roundtable's announcement was hailed as a win for customer-centricity by enthusiasts who saw it as an opportunity to promote their own agenda.[93] In fact it was the complete opposite. It sought to make the case for recognising the importance of all stakeholders, not replacing shareholder-centricity with customer-centricity. But this was ignored by the zealots.

Of course, no business can exist without customers, but nor can any but the very smallest survive without staff or suppliers or perhaps partners. Customers may be primus inter pares – first among equals – but does that really amount to centricity? (And if you look up multi-centricity, the only use of that term relates to cancerous tumours, so probably not a very helpful analogy.)

The bottom line is that CX professionals look naïve when they eulogise about it. Matt Watkinson, author of The Grid and The Ten Principles Behind Great Customer Experiences, nailed this when he wrote about the complexity of markets in a 2021 Linkedin post[94], describing all the different factors (e.g. regulatory, competitive and technological) that need to be taken into account when managing a business at the macro level. As Watkinson put it: "Balancing these considerations (and there are many more) is what makes running a business hard, and why I struggle with the term "customer-centricity" — it strikes me as an overly simplistic prescription."

Why does over-simplification matter? Because if your planned customer experience transformation is genuinely a strategic initiative, it will need support from parts of the organisation where the closest relationship is with a different set of stakeholders to customers. For example, the accounts receivable team in finance are most likely to associate themselves with shareholders, the supply chain management team with suppliers and sales teams with channel partners.

Extolling the importance of customer-centricity risks alienating them rather than winning them over. If you want to sell your initiatives internally, you need to be as empathetic with your internal audience as you would like your front-line staff to be with customers. This starts with using their language rather than yours.

I learnt about this first-hand in my decade as a strategy consultant. Latterly a lot of the work I did was commercial due diligence on companies that were in the process of being taken over by private equity investors. Between 1998 and 2004 I must have completed 30-40 of these assignments.

These assessments involved reviewing the business plan and financial projections provided by the target company, questioning senior management such as the CEO, COO, CMO and CSO to clarify the assumptions underpinning the business plan, then investigating to see whether those assumptions were reasonable.

The latter involved reviewing market research and publicly available data provided by industry associations to understand growth rates and trends, undertaking research on competitors, interviewing customers to understand their happiness with the company and future buying intentions and various other forms of research and analysis. All of which enabled the risks to the plan to be identified and a conclusion about its achievability to be reached. These findings were then presented to both the potential new investors and the executive board of the target business.

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[93] How the customer is killing the CEO, Chris Adlard, MyCustomer, 8 January 2020

[94] https://www.linkedin.com/posts/matt-watkinson_customerexperience-activity-6790100709804244992-_4Jd

At these sessions, self-interest was very much on show. The director in charge of the supply chain would solely focus on their area, as would the manufacturing or operations director and the sales or marketing director. Only the CEO would take a holistic approach, seeking to balance the interests of competing functions.

Put simply, every time you preach customer-centricity to a senior executive with a cross-organisational remit, you risk your standing being diminished.

Reason 3: Excluding product interactions from the definition of CX

Another issue is the conflation of customer service with customer experience, most obviously with the 'amazing service' philosophy highlighted above. Given many CX professionals have contact centre backgrounds, this is not a surprise. But it does neither customer service nor customer experience any good.

The former is important enough to be called out specifically. And the latter is much broader encompassing interactions with marketing, sales and service; and most importantly with the products or services the business is providing. Still many CX professionals choose to exclude product interactions from the scope of customer experience. This automatically limits its importance as a strategic asset.

For example, the definition provided by the Customer Experience Professionals Association (CXPA) refers to customer experience as being the perception that customers have of an organisation formed based on interactions across all touchpoints, people, and technology over time.[95] It could be argued that product interactions are included in the 'all touchpoints' category, but product or service usage is rarely referred to as a touchpoint. And when it is the fundamental reason for customers buying a service, shouldn't it be called out explicitly?

The interactions-only view was also encapsulated in a 2015 Gartner report called Customer Experience Is the New Competitive Battlefield[96] which managed to both limit the scope of CX and grossly over-promise what this curtailed scope could deliver.

The Gartner report stated: "Greater competition and growing consumer power have eroded traditional product- and service-based differentiation, forcing firms to seek new, more durable forms of competitive advantage. Many business and IT leaders see the customer experience as a sustainable source of competitive differentiation."

The above statement is wrong in two ways – firstly traditional sources of differentiation remain powerful and separating customer experience from the products or services a business provides does not reflect the customer's true experience. From a customer's point of view, their experience comprises all their interactions with a business. And as far as they are concerned, their use of the product and service constitutes the most important part of their experience.

The interactions-only view of customer experience has been challenged by many prominent voices. In a discussion a few years ago on customerthink[97], dissenters included Colin Shaw and Shaun Smith, the

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[95] https://www.cxpa.org/grow-your-knowledge/whatiscx

[96] Customer Experience Is the New Competitive Battlefield, Gartner Research, 4 June 2015

[97] Does Customer Experience Management include Products? Pricing?, Bob Thompson, customerthink, 13 January 2015

founding fathers of customer experience whose books in the early 2000s paved the way for the recognition of CX management as a distinct discipline.

But still the view that customer experience is about customer interactions persists mainly because price and product interactions are the responsibility of other teams. But this distinction is dangerous, as highlighted by Watkinson in a 2020 MyCustomer podcast.[98] As he explains, it doesn't matter how good the buying experience is if the service provided doesn't solve the problem that the customer has.

Once again, what we see in the CXPA and Gartner views of customer experience is CX team-centricity rather than customer-centricity. Customer interactions with the company – via the web site, mobile app, social media channels, physical branches or stores and the contact centre (for email, telephone, chat, etc.) – are what CX teams typically control. And because they are the CX team, what they control comprises the customer experience.

But from the customer's point of view, it excludes the reason for being in contact in the first place – to hire or buy products or services to help them achieve their desired outcome complete their jobs-to-be-done. For customer experience to be a strategic asset it needs to be holistic.

Reason 4: Confusing operational with strategic thinking

Most customer experience thinking is operational rather than strategic. This is not a problem in and of itself. There are huge opportunities to improve levels of digital service, waiting times in call centres, first time resolution rates, channel optimisation and the like, all of which are value creating. And if that is all you want customer experience to be about, then fine.

But if you are seeking to make CX a priority for senior management, then it's not enough. What works in the call centre doesn't work in the C-suite. CX initiatives are developed bottom up in response to what is being observed on the ground rather than top-down. The latter involves reflecting the company's market context, how it is seeking to differentiate from competitors and what capabilities it needs to achieve its strategic goals.

As the next chapter will highlight in detail, this requires laser-like prioritisation and a recognition that you can't do everything. Critical thinking is required, along with a willingness to challenge norms and be different from the herd of competitors.

A willingness to challenge norms comes with maturity. But because it is relatively immature, the CX world is very assent-focused with experts trying to create a consensus view of what a good customer experience looks like and what practices are necessary to deliver this experience. (I have offered to debate with people some of my dissenting views mentioned in this chapter but so far I have had no takers.)

The desire for agreement can be seen in CX experts congregating around a question of the day (#CXQOTD) on Twitter, with everyone far too nice and polite to disagree. Whenever I see a Twitter #CXQOTD, 90% of the time my (unposted) answer is 'It depends'. The answer should depend on the industry the business is in, its positioning in that market, its desired differentiation, the level of resources it has relative to competitors and a range of other contextual factors.

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[98] Why customer experience can't be your sole source of competitive differentiation, Chris Ward, MyCustomer, 24 March 2020

A desire for accord prevails when people are not comfortable with being different because they prefer being part of the mainstream. If you are wrong, then at least others are wrong with you. This is the opposite of thinking strategically which is about being different in deliberate ways.

My belief that a more strategic approach to CX is required for its full potential to be unlocked explains why I have found myself increasingly at odds with the customer experience mainstream.

Much of my dissension stems from what I did beforehand – a different career path to most CX professionals. And when I moved into the customer experience world, I joined a specialist consultancy called Inforte which had two giants of business and marketing strategy – Michael Porter of Harvard Business School and Philip Kotler of the Kellogg School of Management at Northwestern University – as non-executive directors. Their thinking shaped the strategy-driven approach to customer-facing transformation that was Inforte's hallmark – a key part of its appeal to me and why my previous experience as a business strategy consultant had relevance. It was also the reason why Inforte was a Visionary in Gartner's CRM quadrant until it was taken over in 2007.

A key part of that approach was ensuring customer strategy cascaded from business strategy, with the consequent idea that the full benefits of incorporating customer experience thinking into value proposition design can only be achieved if it is consistent with the strategy of the business.

That doesn't mean drive the strategy of the business – as some CX practitioners argue – it means reflect and amplify. You can't turn customer experience into a strategic enabler if it is at odds with how the business seeks to differentiate.

Reason 5: Worshipping 'best' practices

Since its inception, the CX profession has been in search of principles around which the industry can coalesce. Principles then beget processes, procedures and 'best practices.'

The implication of best practices is that they are universally best – every company should do it. In some cases, that may be true – my Optima colleague Graham Hill always cites the Erlang C model for managing queues in call centres as such an example. But instances like this are far from universal. Practices may be good or great, but in most cases there is no one practice that can ever be best for every business of every size in every context. And if one does exist, like Erlang C queuing models, it won't be a source of differentiation.

When thinking strategically, the only best practice is appropriate practice – what is appropriate to your competitive context, what competitors are doing and how you intend to differentiate, how you plan to achieve your financial objectives and what level of resources you have available. And in the areas where you want to be great – those that are fundamental to how you differentiate – you should be aiming to be better than best practice and keep improving so that you remain ahead of the competition.

To be clear, I am not seeking to decry CX centres of excellence. Within a large business with multiple CX teams spread across different subsidiaries or geographies, there is clearly value in sharing what has worked well in one area with others. But describing something as great practice seems more appropriate. Great practice is suggestive – this is something you can learn from – whereas best practice is more didactic, if you don't do this you will be falling short. And even if brand promises are similar, competitive contexts,

profitability and funds available are probably different subsidiary by subsidiary – what is right for one isn't necessarily right for another.

Ultimately it is the responsibility of a CX leader to make choices as to how to spend the limited resources they have to the best effect. And that can only be achieved if the CX strategy is grounded in business strategy and is appropriate to the financial constraints and objectives of the company rather than a set of beliefs about what is right and wrong.

All of which leads us to the topic of how you measure the creation of value for customers. For many customer-centricity advocates, NPS is what they are seeking to improve. But again as a measure it has a number of limitations.

Reason 6: Excessive focus on NPS

In the customer experience profession, NPS is a guiding light and improving it is the *raison d'être* for many. Like CSAT scores, NPS quantifies qualitative feelings so that they can be analysed with averages created and outliers identified.

With the score itself, there are multiple problems. Firstly it lacks intellectual and scientific rigour – the idea that NPS is the best indicator of future growth has been shown to be spurious.[99] Secondly the score provided is not a strong indicator of future behaviour. Research undertaken by C-Space in 2018 identified a clear gap between what people said they would do and what they actually did.[100]

In addition to the intention-behaviour gap, the raw score itself doesn't explain why customers are prepared to recommend and it can also incentivise bad behaviour. Far more valuable than the score itself, in my experience, are the explanations provided (particularly by detractors) as they provide concrete evidence as to how the experience can be improved.

But in the rush to qualiquantification – turning qualitative ideas into quantitative scores so they can be aggregated and averaged – these often get ignored. Even worse, NPS and CSAT scores can be fudged – for example, only asking happy customers to take the survey or incentivising customers to give good scores with giveaways.

As Ron Shevlin of Cornerstone Advisors points out, a far better measure would be one that captures the number of customers who referred a new customer or the number that increased the depth of their relationship (for example, by adding an additional product).[101] This is the opposite way of thinking - rather than infer future behaviour from stated attitudes, infer attitudes from data on actual behaviour.

That is not to say NPS or CSAT scores should be ignored, but they need to be part of measurement system that reflects how value is created. This will be explained in detail in Chapter 7 but is worth summarising.

The first element is tracking how effectively the value proposition to customers is being delivered – the elements where delivery can be objectively measured. This will encompass product and service metrics as

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[99] Data Science Reveals 3 Problems with the NPS Dogma, Bob Hayes, Business over Broadway, 7 May 2018

[100] Where Net Promoter Score Goes Wrong, Christina Stahlkopf, HBR website, 18 October 2019

[101] It's Time To Retire The Net Promoter Score (And Here's What To Replace It With), Ron Shevlin, Forbes website, 21 May 2019

well as those that are within the domain of the CX team (such as digital completion rates, first contact resolution, response times, etc.) The next element is, at an individual customer level, linking those objective measures to attitudinal scores such as NPS or CSAT. The final element is linking the first two, again by customer, to actual behaviours – loyalty, additional product purchases and profitability.

By tracking these elements at a customer level, it becomes possible to better understand what creates value for customers and the business and what doesn't.

So how do you overcome these challenges? The simple answer is change from taking an operational view of customer experience to a strategic one; from looking at improving the experience provided across one or more touchpoints to considering all CX elements in the context of a business's overall strategy and its brand promise so that the full value potential for customers and the business can be realised.

That can only be achieved if a structured, end-to-end approach is taken to customer experience definition and implementation. The next chapter outlines why having a robust CX strategy is the starting point for doing so.

3. The solution – how to take a more strategic approach to CX

The solution to gaining more traction with C-suite executives is taking a strategic approach to customer experience. That starts with creating a compelling CX strategy. CX professionals typically have expertise in CX but not in strategy and standard approaches lead to 'bad' strategy. This chapter will provide you with guidelines on how to develop a 'good' rather than 'bad' CX strategy.

If customer experience is to become a C-suite priority, practitioners need to pivot from operational thinking to taking a more strategic approach. Taking a more strategic approach to customer experience starts with the creation of a compelling CX strategy.

The intent of the book is to show you how to create and implement an effective CX strategy that will complement your business's intended source of differentiation, gain organisational alignment and thereby deliver business success. My hope is that by providing guidelines on good strategy creation (not just good CX strategy creation) it will also help customer experience leaders become business leaders.

My background is in strategy development. It is a topic I have studied extensively and written about, including having articles on the subject published on the Harvard Business Review website and in Strategy, the journal of the Strategic Planning Society. This is the background to my criticism of the approach promoted by supposed CX strategy experts.

What is strategy?

The core element of strategy is the application of scarce corporate resources to meet business objectives.

As will be expanded on below, effective strategies require hard choices and a willingness to under-index on certain elements of what you offer so that you can excel in others - those that you want to be your differentiators. That does not come naturally to most people. We are programmed to avoid losses and so being deliberately worse than competitors at something makes us very uncomfortable, but it is critical to both good strategy and commercial success.

Further all strategy is assumptive and good strategies recognise the inherent uncertainty surrounding them. As F Scott Fitzgerald wrote "the test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function". Businesses typically have multiple ways of achieving the same end but can only pursue one if it is to be executed effectively. That doesn't mean alternatives should be forgotten and contingencies ignored – the validity of existing approaches should be assessed if new information becomes available and changes made if required.

Fortunately there are tools and techniques that enable us to overcome such challenges. The focus of the chapter is CX strategy development. But my aim is to also equip readers with the capability to craft compelling strategies in whatever role they find themselves.

Purpose of CX strategy – organisational middleware

The purpose of CX strategy is to translate business strategy into customer-facing operational practices. It is the middleware that transforms board level decisions into what gets done on the front line – it should translate the high level 'what' into the everyday 'how'.

Most CX strategies fail this simple test because they are developed in a CX vacuum based on what those involved believe a good experience looks like rather than specifically referencing business context and intended differentiation.

Your organisation should have a range of equivalent strategies for the other key value chain stages – for example R&D, supply chain management, manufacturing, operations – and all the key horizontal value chain elements such as HR and Finance. All these operational strategies should have the same purpose – translating business strategy into what gets done.

When that is the case, business strategy infuses decision-making in all areas of the business, with decisions made at different levels of the enterprise and in different departments all aligned to the same view of objectives and differentiators. Those areas are not (yet) your concern, but the premise is an important one – operational strategies are not independent, they all need to be rooted in what the business is seeking to achieve and how it proposes to make that happen.

Historically strategy has been cast as being about the big decisions – and the initiatives that are defined as part of a CX strategy would certainly come into that category. But when we design it to be organisational middleware, it can also shape the thousands of little decisions that are made every day. This is when it becomes powerful, forging a strong connection between the C-suite and the front-line.

One example of this is the codification of operational strategies into sets of rules that employees can follow and make good decisions faster. Again it is important to stress that these rules need to be defined through a top-down process to ensure the rules reflect business priorities. This is not to say that there is no consultation with front line staff in their creation – there obviously needs to be. But that consultation should ensure priorities are translated into action, rather than define the priorities themselves.

The idea of 'strategy as simple rules' was first outlined by Kathleen Eisenhardt and Donald Sull.[102] Their thesis was that such an approach would help businesses in fast-growing markets. And while the value of such an approach is most obvious when the environment is fluid, it is still valid in more stable conditions.

John Lewis Partnership has taken such an approach to help shop-floor partners (staff) prioritise what they do. Partners have been given three rules to follow. Firstly ask any customers who are not being served whether they would like any assistance. Secondly if no customers need help, then see whether any fellow partners need support with the customers they are serving. Thirdly if no colleagues need help, make sure the shop floor is in good order – clothes are neatly on hangers or tidily folded, all extraneous items are put away, etc.

Richer Sounds, another successful UK retailer, follows a similar approach. Its founder – Julian Richer – wrote a book called The Richer Way (first published in 1998 and now in its fifth edition – and one of the best books on customer management that I have ever read). And in this he outlines some guidelines given to employees, the most notable of which is serve customers in the way you would if they were a friend. A very simple rule that helps imbue the culture that Richer wants in his business.

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[102] Strategy as Simple Rules, Kathleen Eisenhardt & Donald Sull, Harvard Business Review, January 2001

Managers and employees make decisions every day and without clear definition of rules, the basis for such decisions is likely to be either opinion or precedent. The former creates inconsistency, so is never a great idea. Precedent reflects accumulated experience so may deliver a good decision. But equally it may not – changes having made traditional decision-making sub-optimal – and without there being an obvious link to a high-level strategic objective, no one will know for sure.

Thinking of CX strategy as organisational middleware helps improve communication between senior managers and front-line employees so what people do is genuinely connected to what senior managers want them to do. But perhaps an even bigger benefit arises from better alignment of business initiatives – the programmes and projects that a business is executing – with the high-level strategy they should be supporting.

One way to test existing alignment between strategy and implementation is to run this process in reverse, starting with the current initiatives that are receiving most funding. How do they support the business' priority objectives? How do they support the value proposition? How are they aligned with the business's profit model? Such an exercise will be revealing. As the Marketing Director of an industrial products company once honestly admitted, "We are good at high level business strategy. We are also good at executing on projects. What we are not good at is linking the one with the other."

Ultimately the purpose of your CX strategy is to ensure that the most value generating projects – whether transformational or incremental – are enacted. Your team will have daily operational responsibilities that consume most of their energy, therefore the time and bandwidth they have for delivering CX improvement initiatives may be limited. So you need to make sure you are investing their efforts in the right ones. Your CX strategy needs to help you whittle down all the initiatives that you could undertake into the ones that will deliver the best return on investment. And the structured approach I will take you through is designed to do just that.

Bad strategy versus good strategy

If we look at good strategy development generally, there are insights we can gain and apply to CX strategy development.

Richard Rumelt, a professor at the University of California Los Angeles Anderson School of Management, has been analysing business strategies for over 40 years and wrote the definitive text on the topic of good versus bad strategy.

As Rumelt puts it: "A good strategy has an essential logical structure that I call the kernel. The kernel of a strategy contains three elements: a diagnosis, a guiding policy, and coherent action. The guiding policy specifies the approach to dealing with the obstacles called out in the diagnosis. It is like a signpost, marking the direction forward but not defining the details of the trip. Coherent actions are feasible coordinated policies, resource commitments, and actions designed to carry out the guiding policy."[103]

By contrast: "Bad strategy may actively avoid analyzing obstacles because a leader believes that negative thoughts get in the way. Leaders may create bad strategy by mistakenly treating strategy work as an exercise in goal setting rather than problem solving. Or they may avoid hard choices because they do not

[103] Good Strategy/Bad Strategy, Richard Rumelt, Profile Books, 2011

wish to offend anyone—generating a bad strategy that tries to cover all the bases rather than focus resources and actions."[104]

One of the characteristics of bad strategy is that it is full of fluff – buzz words masquerading as strategic concepts to create the illusion of high-level thinking. But there are other characteristics according to Rumelt. Firstly there is failure to recognize or define the challenge. When you do not define the challenge, you cannot define what is necessary to overcome it. Secondly there is mistaking goals for strategies – creating statements of desire or visions for the future rather than plans for overcoming obstacles. Thirdly bad strategies can be the outcome of setting strategic objectives – the means to achieving the end goal – that fail to address critical issues or are simply impractical.

Bad strategies abound because good strategy definition is an uncomfortable process. It involves upsetting people whose priorities are not adopted. In Rumelt's words: "Strategy involves focus and, therefore, choice. And choice means setting aside some goals in favor of others. When this hard work is not done, weak amorphous strategy is the result."

Rumelt is particularly critical of the template approach to strategy development which is more geared to generating alignment than making hard choices.

The template generally involves defining your vision of what the business will be like in the future. This results in statements which include 'the best' or 'the leading' or similar aspirations – something that everyone can get behind. Next comes the mission – a statement of the purpose of the business that is similarly uncontroversial. Thirdly come values – again these will be inoffensive and contain expressions like 'integrity' and/or 'respect'. The final step is to define some goals but call them strategies – what the business aims to achieve but not how it plans to do so.

This template approach means no one must analyse the most pressing challenges and biggest opportunities that the business faces. (It also means no feelings are hurt because no tough choices have to be made.)

This template approach has been extensively promoted by some of the analyst groups that cover customer experience – organisations not known for their strategic smarts. Unfortunately their marketing of it seems to have worked. If you look at the CCXP handbook, it describes CX strategy as the "development of a strategy that articulates a clear vision of the experience that a company seeks to create in support of the company's brand values, including its direct linkage to CX activities, resources and investments."[105]

There is no mention of linking the CX vision to the vision of the business, no mention of defining how customer experience supports the company's differentiators, nothing about analysing the challenges that customer experience teams need to overcome. And above all no clear definition of choices – specifically what is not going to be done – because these are designed to gain alignment rather than provide clarity and force difficult conversations.

Some CX experts have sought to provide templates for CX strategy. One that is held in high regard by the CX community is a single PowerPoint page. In no way can strategy – any strategy – be reduced to a single slide. It is a gross over-simplification and strongly supports the view that CX experts have a chronic

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[104] Ibid

[105] Certified Customer Experience Professional Candidate Handbook

misunderstanding of what good strategy creation entails. But it fits with the monoculture I talked about in the previous chapter – why bother to do the hard work of detailed analysis of the challenges that the business faces, the opportunities it has and how customer experience can help overcome challenges and monetise if you have a pre-defined view of what the answer is going to be?

So it is no surprise that CX strategies tend to be simplistic – fluffy vision statements with high level aspirations with no guiding policy to shape which initiatives are instituted. Basically, Rumelt's definition of bad strategy.

Given their focus on technology, it is also not a surprise that when the likes of Gartner advise on CX Strategy, self-interest outweighs good strategy creation. According to Gartner, "The first step in building a successful CX strategy has to be establishing what investments exist and where. Only when you have a handle on these can you work out how to reconcile the various technologies and strategies in a way which supports internal polices while also being in the best interests of the customer."[106]

That is an intermediate step and there are many things that need to be done before then – definition of differentiators; understanding brand promise; analysis of challenges, both business wide and CX specific ones (including insight gaps, technology issues, etc); statement of options for how these can be overcome; selection of options with explanation as to why each one has been chosen and others excluded; definition of strategic objectives that each selected option should achieve and how progress will be tracked; and description of initiatives designed to achieve each strategic objective.

What is common to both CCXP training and advice from Gartner is that they ignore strategic context, fail to emphasise that strategy is about hard choices and oversimplify what good strategy entails.

Guidelines for good CX strategy development

Good CX strategy development is more likely to occur if you adhere to the following guidelines.

1. Understand the context – what the business's overall strategy is, its intended differentiators and the challenges faced by the business and how these translate into challenges that the customer experience needs to address. This becomes what Rumelt calls your guiding policy.
2. Recognise that the customer's experience encompasses all interactions – your business creates value for customers via the products, services and support provided. Your CX strategy needs to encompass all these areas – not just the buying journey, customer service and support.
3. Ensure customer experience is a commercial discipline – creating value for customers to create value for the business – and both sides of value creation need to be addressed in your CX strategy.
4. Develop options and don't fall in love with one approach – make sure that you identify a range of possible actions for meeting the challenges identified in step 1 and then evaluate these according to how well they support business strategy, fit with brand promise and how cost-effective they are likely to be.
5. Be prepared to make tough decisions – strategy development is about making choices. And if you fudge those choices, your strategy will be poorer for it. Also be transparent about the trade-offs you have made – what you have specifically decided not to do – and the rationale for those choices. Transparency is a friend to good decision-making as it ensures important choices are debated.

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[106] Creating a High-Impact Customer Experience Strategy, Gartner, 2019

6. Recognise the uncertainty inherent in strategy development. All strategy is based on assumptions, both about the business environment and cause and effect (if we do this, then that will happen). Ensure you are transparent about the assumptions you have made.
7. Incorporate both left- and right-brain thinking – you need both analysis and design capabilities in the team that creates the strategy. If you are naturally disposed to one of those ways of thinking, make sure you include others who can compensate.
8. Make the strategy you create action oriented. Gone are the days when a bunch of smart people could create a lovely presentation that would sit on the shelf. Strategy development needs to be linked to actions with feedback collected via test-and-learn approaches.

On the face of it, these guidelines don't seem very controversial. But if you follow them to their logical conclusions, they challenge many of the dogmas that have grown up in the last couple of decades as the CX profession has formed, normed and stormed. So given their impact, it makes sense to expand a little on each one and outline its implications.

Understand the context

Creating value for customers is the single most important prerequisite for growing a successful business. But not all businesses create value in the same way.

The first part of the above paragraph shouldn't be controversial. If you are not creating value for customers, there is no way you can generate profits. This is obviously the case with services that customers pay for – if your products don't solve a problem for customers, they won't buy them. But it is also the case if your business model is to provide a service for free and monetise in some other way – for example, by aggregating and analysing usage data and selling the insights that generates. If people don't find the service valuable, they won't use it. And if they aren't using it, there will be no data to monetise. You can't make profit when you don't generate revenue, no matter how low your cost base is!

This would argue that C-level executives should be obsessing about the experience their business delivers to customers. And I would completely subscribe to that view. The problem comes with the second sentence. This implies the inverse - that CX practitioners should also be obsessing about the strategy of the business so everything they do is strategically aligned. But this is rarely, if ever, the advice that you read in books about customer experience.

Businesses such as IKEA, Nike and Zappos have all been hugely successful. But they have each followed a different strategy. What they have in common is a singular alignment around a compelling value proposition. But how they create value for customers and the customer experience they each provide differs drastically. (I doubt Nike would be so successful if our trainers came as a box of component parts which we needed to stitch together.) And as a result, their CX priorities are markedly different. Good strategies are unique - yours should be too.

Also it is important to recognise that CX strategy does not stand alone as an independent document. As highlighted above in the section on its purpose, it is like middleware that translates business strategy into what happens on the front line. Principles or ideas about what a 'good customer experience looks like' and 'best practices' must take a secondary place versus what is appropriate to how the business is seeking to differentiate and how that translates into the CX challenges that need to be addressed.

The next chapter goes into a lot of detail about the three main components of a business strategy – participation (where the business plays – markets, segments, etc.), competition (how the business differentiates itself from competitors) and organisation (the business's core capabilities - what it does and doesn't do) – and how differences in these areas change CX priorities. Ideally these will be obvious from strategy presentations and documents that senior management has already been created. If not, you will need to undertake some research with your colleagues to infer some of the answers. (This is akin to the analysis phase, albeit for business strategy rather than the CX strategy.)

This can be positioned as seeking input from colleagues which has the additional advantage of increasing the likelihood they will buy in to what you develop because they have been consulted. The type of questions to ask are:

Participation

1. What markets, segments or customer types do we prioritise and why?
2. What markets, segments or customer types do we serve well and why? (May not be the same as above if the segments served well are declining or unprofitable.)
3. What new markets or segments are we trying to enter?
4. What markets, segments or customer types do each of our main competitors focus on and what is our best guess as to why?
5. What are the challenges we must overcome to maintain our position in existing markets? What gaps do we need to fill?
6. What are the challenges we must overcome to enter the new markets we have prioritised? What gaps do we need to fill?

Competition

7. What makes us different to our competitors?
8. What do our customers say we do better than the competition?
9. How do our main competitors differentiate themselves?
10. What do customers say our competitors do better than us?
11. What is our desired positioning versus competitors?
12. What do we need to do to move from our current to our desired positioning?

Organisation

13. What organisational capabilities (e.g. supply chain management, manufacturing management, new product development, account management, etc) are the key enablers of our differentiation?
14. Which capabilities have we consciously decided to prioritise and de-prioritise?
15. What capabilities do our competitors prioritise?
16. What capability gaps do we need to fill to support our desired competitive positioning?

Link to CX Strategy

17. Based on the above, what are the critical challenges we face as a business? What are the opportunities?
18. How do we plan to overcome these challenges and unlock the opportunities - what are our priority strategic objectives?
19. How can improving the customer experience support achieving these strategic objectives?
20. Which specific CX initiatives will best support achieving these strategic objectives?

As you will see from these questions, there are multiple teams you will need to confer with – R&D, product, marketing, digital (if separate) sales, distribution (if different to sales) customer service and operations as well. It may also be worth looping in the finance and technology teams as well to keep them on board. As

mentioned above, a key benefit of taking this approach is to win buy-in and if you exclude any group from consultation, they may take umbrage!

Incorporate all interactions

The previous chapter outlines how CX experts often define customer experience as excluding product interactions as they are outside the remit of the CX team. But from a customer's point of view, their experience encompasses every contact they have with a brand. These include their usage of the core product and service as well as their interactions with the company when they seek information, make a purchase and request support. And from their point of view, interactions with the core product and service are the most important – if it solves the customer's problem without any issues, there is no need to contact customer service or go on the website.

To do this, you will need to liaise with the product team, not to shape what they are doing but to understand it – what problem they are trying to solve, what outcome will that deliver to customers, how they are different to other solutions the customer could purchase, what feedback they have received from customers and what are their priorities in terms of improving the product or service.

Product designers have their own tools and approaches, so attempting to coerce them into a journey mapping process or an equivalent will not work. But gathering their input and using them as informed observers who can sense-check the decisions you make will ensure that there is a connection between all elements of the customer experience.

Be commercially oriented

The rationale for creating a superior customer experience is to create a superior return on investment (ROI) and deliver growth in revenues and profits. A strong ROI delivers good returns to shareholders and enables employees to be well rewarded for their contributions. But as we saw from the research highlighted in the previous chapter, a focus on commercial returns is rarely the responsibility of CX leads. For them it starts and stops with supporting value creation for customers, the success of which is measured by NPS.

But if you create value for customers without having a clear plan for translating that into value for the business, the business will ultimately fail. At one extreme this happens when the business model is flawed – something that is not the responsibility of CX leaders. But it can also happen if CX leaders see it as their responsibility to look after the interests of customers while throwing the responsibility for profitability over the fence to another department.

There is another important implication of CX being a commercial discipline. Superior returns are created by winning in the marketplace. Firstly by persuading customers to spend their hard earned money on your products and services rather than on those of your competitors. Then by convincing them to buy from you again whenever they need to repurchase. And by encouraging them to try additional products and services.

Hence it is not the quality of your customer experience in absolute terms that is important, but its quality relative to that provided by your competition. Competitive context is a crucial element in CX strategy – it has important implications on the targets you set and how much you need to spend.

For example, customers are typically risk averse – preferring to stick with what they know rather than expend effort in finding the best possible solution because it may only be a little better than what they

have (and could even be worse). For the most part we are what economists call satisficers rather than maximisers.

So if you are trying to win customers, your experience needs to provide demonstrably greater value just to tempt customers to give it a try. Conversely, if you are the market leader you just need parity to retain your position. It is not good enough to just benchmark your own customer experience performance, you need to benchmark it against those you are competing against.

Develop options (and don't fall in love with one solution)

One of the biggest traps that strategists can fall into is falling in love with a particular approach to addressing the big challenges identified, at which point confirmation bias takes over and only evidence that supports this solution is weighed.

So once the business's challenges and strategic objectives have been identified, the next step is to identify all the possible ways that the latter can be supported. Some of these will appear less suitable from the outset, but it is still worth documenting them to show that you have considered a range of possibilities.

Once you have identified the different options, the next step is to evaluate each one in terms of pros and cons – benefits and costs, fit with strategic objectives, fit with brand promise and feasibility, for example. This will then set you up for the next stage.

Be prepared to make tough choices and be transparent

As described above, strategy entails deploying your resources to best achieve your desired goals.

As resources are limited, effective strategy development demands the courage (and insight) to say 'No' – not offer products or add-ons that competitors may be providing, not target certain customer groups, not support certain channels, not develop certain capabilities – so that you can do other things very well (Amazon is a great example of this). Spreading efforts too widely limits the overall impact – the result is being average (or worse) at everything while being outstanding at nothing.

Making those trade-offs is tough for anyone. We mostly want to do as much as we possibly can, particularly CX professionals who in my experience are 'can-do' people who want to do the best for customers and therefore say 'Yes' to more than they should. Unfortunately positivity is no substitute for effectiveness.

To avoid this problem, the first step is making everyone involved in the strategy development process aware of the Yes-trap and making the point that strategy development is not some exercise in vision or mission creation. Visioning is about gaining alignment whereas strategy is about choices – some of which won't have universal support The second step is to create a No-log – a log what the business will not do.

Strategies naturally tend to focus on what will be done. Intrinsically they are Yes-logs. A No-log keeps track of all the things that you have deliberately decided you are not going to do – the customers you won't target, the offer elements you won't include, the channels you won't support, the technology investments you won't make, the people development initiatives you will not prioritise, etc.

All the entries in the No-log should be valid choices – that is where its value lies. If you pad it out with obvious non-starters, then all you are doing is deluding yourself and your colleagues.

As well as supporting better strategy development, creating a No-log has the additional benefit of increasing transparency about the choices that you have made.

By bringing the trade-offs that you are proposing into the light, debate will ensue. As a result the final decisions will be deliberate and considered. And the risk of your strategy becoming derailed by organisational dispute (either explicit or implicit) down the line is much reduced.

Recognise uncertainty

Traditional approaches to strategy development are not very good at dealing with the uncertainty inherent in strategic decision-making. In 2014 I co-authored an article published in the Journal of the Strategic Planning Society called Uncertainty Management: The Missing Link?[107] In this we argued that despite all attempts to make it seem evidence based, all strategy is assumptive. Strategy is future-facing and there are no facts about the future, only uncertainties which require assumptions as to what will happen. Analysis is, by definition, backward facing. You need analysis to provide a firm foundation but you also need to recognise its limitations.

In this article we proposed three approaches for dealing with uncertainty – scenario planning, assumption monitoring and taking a crawl, walk, run approach to investment.

In truth you will probably have little need for scenario planning in your CX strategy, but as one of the goals for this book is to equip you with tools that you may need in the future, I will summarise it briefly.

Scenario planning has been around since the 1960s. Its most famous exponent was the oil company Shell, who used it with senior managers to create contingency plans for events that were outside what traditional planning would consider. As a result, Shell had a head start versus its competitors when faced with the OPEC-induced oil shock in the 1970s.

Scenario planning involves identifying potential dimensions of uncertainty, defining a range of possible outcomes for each one and then creating contingency plans. These dimensions encompass the factors beyond management's control that will have a significant impact on financial success – customer behaviour, technology trends, competitor behaviour, supplier behaviour, raw material costs, government regulation and societal pressures among others. Ultimately the goal of scenario planning is not to predict the future but to prepare managers for it, whatever it may be.

A much lighter version of scenario planning – one that you may want to consider incorporating into your CX strategy – is assumption management. The approach described below may be too heavyweight for what you require, but again is worth explaining in full so that you are better equipped should you need it in future roles.

Assumption management starts with capturing all assumptions in a log so the foundations for the selected strategy are explicit. Assumptions relating to strategy take two forms.

Firstly there are assumptions about the external environment – things that the company has no control over such as customer priorities and behaviour, competitor behaviour and disruption, economic growth,

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[107] Issue 32, Strategy, Uncertainty Management: the Missing Link?, by Jack Springman and Ken Whitton, June 2014

exchange rates, interest rates government policy and regulation (industry-specific, competition-related, privacy) and technology changes. Many companies are having to re-evaluate many of their assumptions about the external environment – particularly customer priorities – in the light of the Covid-19 pandemic and the increasing influence of equality and environmental campaigns.

By thinking of the main dimensions in turn, you uncover prevailing assumptions. The next step is to ask which assumptions, if proved incorrect, would have the greatest impact. These become the priorities for monitoring.

The second set of assumptions reflect assumed causality - if we do A, then B will happen. For example, if we offer superior service, we will gain new customers; if we develop a new service, we will be able to enter a new segment of the market; if we cut prices, competitors will [or will not] respond. Again these assumptions need to be prioritised according to potential impact on success if they turn out to be wrong.

For the high priority assumptions, the next questions are how can you monitor their validity on an ongoing basis? What streams of information will confirm or falsify them? How can this data be collected?

What you are looking to create is an assumption validity scorecard with confidence levels outlined for each key assumption. Bayesian approaches are ideal for this as they involve using new data to test the validity of a prior assumption (I am sure you will find data scientists who will be only too happy to help!)

This scorecard provides an early warning system for whether events or relationships are playing out in expected on unexpected ways. As a result, even if the initial assumptions are proved wrong, decision errors can be quickly corrected so damage is limited. Start-ups are famous for pivoting in the light of new information but even large enterprises can veer. And like ocean going tankers, the earlier they start to veer, the more successfully they can avoid damage.

In the context of CX strategy, creating a No-log (as mentioned above) and an assumption log help eliminate the risk of false assumptions on the part of team members or senior managers reviewing the strategy ("it didn't cross my mind that we wouldn't be offering telephone-based support") because the choices that have been made are clear to all and sundry.

The principle behind taking a crawl, walk, run approach is that the investment you make is proportionate to the amount of information you have. In her article on discovery-driven planning[108], Rita Gunter McGrath uses the example of entering a new market.

The first step would be finding a distributor in that market to test the interest in your products. The next step might be to set up a partnership arrangement where you have a little bit more control on marketing. Next you might set up a wholly owned subsidiary to control all aspects of what you do, with the final step being building a manufacturing facility to serve that country once the levels of demand have been established. By making a series of small decisions along the way, you can avoid the risk of taking a big decision up front.

Effectively what you are doing with this test-and-learn approach is linking increased investment to reduced uncertainty. The pay-off from early-stage investments come primarily from the insights generated.

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[108] Discovery-Driven Planning, Rita Gunther McGrath and Ian MacMillan, Harvard Business Review, July-August 1995

In the context of customer experience, if you are following Agile development principles then the test and learn approach is already embedded in your operational thinking. But it is also worth making the point explicit in your CX strategy. Rather than trying to define initiatives in detail, outline the starting point, the desired outcome and some intermediary goals, then leave how that is achieved to the delivery teams.

Take a multi-skilled approach

In the mid 2000s I was struck by the idea that value creation has three elements – analysis locates value, design unlocks value and execution delivers value. And when you are creating a strategy – any strategy – you need to reflect all three (with execution being incorporated by employing the discovery-driven approach to strategy development described above). And I wrote about this in an article entitled The Value Trinity published on the RSA website.[109]

To summarise, firstly an opportunity for value creation needs to be uncovered through analysis (e.g. identifying an activity costing more than it should, an unmet customer need or under-served customer segment). Next potential solutions that realise the value in the opportunity (e.g. the desired customer experience and underlying operating model) must be designed. Finally the selected solution has to be tested, the results of which are analysed with the process beginning again.

All three elements of the value trinity exist in any value generation initiative but the contribution to the total that analysis and design each makes will vary. For simple cost-cutting projects, analysis creates most value through illuminating what is happening – e.g. where the bulk of costs are being incurred or where costs are exceeding benchmarks or target levels. In revealing the answer, the solution becomes obvious – the need for design is often very limited.

By contrast, profitable organic growth requires creating superior value for an ever-increasing number of customers in a way that is sustainably profitable for the business. This includes the creation of a compelling customer experience with design skills necessary to make it appealing to customers and profitable to the business.

Trade-offs are at the heart of designing – whether it be a product design, interior design or business design. A well-designed customer experience doesn't include everything that customers want – it over-indexes on certain elements while under-indexing on others. The key skill is finding what to exclude while ensuring what remains is a functioning whole that is valuable to customers.

Design skills are also important for capability and operating model definition. Firstly capability levels must be traded off – identifying which component activities (e.g. online interaction management, offline support, etc.) are most critical and should be executed to the highest level possible, versus those which only require a basic level and those which do not even need to be performed at all.

Once target capability levels have been defined, an operating model must be designed. Capability is a function of the assets employed; how a business is organised; the governance structures it has in place; the competencies of the people; the culture the business embraces; the processes it follows; its investment in IT; data and analytics; and the metrics used to measure performance. Choices need to be made both within and across these elements – e.g. the greater the investment in technology enablement, the lower the level of people competency required.

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[109] https://www.thersa.org/comment/2010/04/the-value-trinity-

Some fifteen years on, I think the trilogy still holds true and it should be a guiding principle in any strategy that you create. And I use that structure in Part 3 of the book with a chapter on each element.

Interestingly I think things have evolved since my initial thinking on the topic. Whereas originally I believed analysis was overweighted (particularly in strategy consulting firms), there has subsequently been a significant rebalancing of emphasis.

Firstly we have seen significant developments in design-thinking. Books on the topic abound, service design companies have ridden the wave of the design revolution to become global businesses. And workshops with Post-It notes are almost a daily occurrence in many companies (much to the delight of 3M's shareholders). If anything, the pendulum between analysis and design may have swung too far the other way – analysis has become the poor relation with design the favourite child.

In parallel we have had the Agile revolution. The gated processes that McGrath wrote about in her 1995 Harvard Business Review article seem almost quaint when compared to the two-week sprints of today where learning and delivery are completed in parallel with results monitored over the next couple of sprints to see whether the desired effects have been achieved.

And it is not just in product development and software engineering that Agile thinking is becoming more influential. At a strategy level we see Agile thinking embodied in the pivots that technology start-ups are famous for. And increasingly we are seeing the Agile philosophy spreading to marketing.

The process that I will take you through incorporates all three elements of the value trinity. But I specify them now for two reasons. Firstly to prepare the mindset that I believe is important in the person leading CX strategy development. Secondly to make sure that the team you create to support you in the strategy development process encompasses all those skills – you aren't all analysts or designers or Agile enthusiasts.

Components of an end-to-end CX strategy

So what should a CX strategy encompass? This book has been structured with that in mind.

This first part of this book has focused on the need for change – why there is an opportunity for CX to become a C-suite priority, why CX practitioners are failing to make the most of that opportunity and what the solution to that problem is. Specifically this chapter has provided guidelines to shape your thinking but this whole section should be treated as background rather than for inclusion in your strategy.

The next section (Part 2) focuses on establishing the right foundations for your CX strategy – more detail on how to ground it in business strategy (with some examples of how different strategic focuses will change CX priorities), how to identify your key differentiators (or brand promise) that the experience you design should support and how to create a business case.

The key elements of business strategy and brand promise that you are seeking to support and the business case for what you are proposing all need to be incorporated into the first section of your CX strategy. (Note: while the business case should be incorporated in this first section as it is what the CEO and CFO will be most interested in, its creation will be iterative with dependencies on what problems are being addressed, how they are being addressed and likely timescales for solutions being in place.)

The next section, Part 3 of this book, encompasses the three different components of value creation – analysis, design and implementation.

The analysis section outlines the key questions that you should be seeking to answer, the sources of insight that you should be considering and how those two things map together. The design section looks at how you can go about identifying customers jobs to be done, selecting which of those you intend to support and how they should be supported in ways that enhance brand promise. The chapter on implementation looks at how to identify the capabilities required to deliver the target experience and then provides guidance on designing an operating model to deliver these capabilities. The key outputs from all three of these activities are the core of your CX strategy.

The final part focuses on two elements on how the proposed changes will be a benefit to key stakeholders. This is about winning the hearts and minds of key individuals. The business case will define the benefit for the business as a whole in quantitative terms. But senior stakeholders will have their own agenda and this section focuses on the qualitative aspects you need to consider – how you can stand in their shoes – so that you do not trigger antipathy and hopefully gain their support.

Whether you incorporate this in your strategy documentation (alongside the business case, for example) should be a function of how confidently you have understood each senior manager's priorities. If very confident, then it will be a powerful way of showing your empathy with their situation. If less confident, you may just want to include it as a voice over in any presentations you make.

Who needs to be involved in creating CX strategy?

So who do you need to get involved in the creation of your CX strategy? Ultimately you will need to work with people across the organisation, not just the customer-facing areas of marketing, sales and service which will likely be well-represented given they control the majority of customer interactions

If product or service design teams are separate to marketing, they will need to be brought into the process and given an influential role as you cannot develop a CX strategy that doesn't cover product/service interactions. Similarly if there is a brand team in marketing they also need to be given a role because you cannot develop an experience that does not reflect the brand promise.

Similarly finance (or planning) will need to be represented. As you are creating a business case for investment in customer experience, it needs to be created using the templates and standards that your finance team expect, otherwise the CFO is likely to say no. Having a person from finance on your steering committee to help with this will be very valuable.

Finally you will need to bring in those with responsibility for the different operating model components – process, technology and data teams; the transformation team if you have one; and human resources too.

Not all these areas will need to be members of the steering committee that you create, but it is important to be clear up front who needs to be involved and what role they will play.

One way to think about this is to identify all the jobs that you need to complete for your strategy to be created and then identify who will be responsible for completing each job and who needs to be consulted or informed. That will allow you to brief people early and bring them in as required, all of which supports

the aim of creating collective ownership for the strategy you are creating – something that will stand you in good stead when it comes to asking for the funds to implement it.

PART 2: Establishing the foundations for your CX Strategy

4. Founding CX strategy in business strategy

The credibility of customer experience among senior management is undermined by the one-size-fits-all approach that characterises prevailing CX thinking. This chapter introduces the three elements a business strategy should cover and highlights how CX priorities should vary when these components do.

Business strategy provides the foundation for CX strategy development – indeed all operational strategy development. As a rough rule of thumb, there are three elements that business strategy should cover – participation, differentiation and organisation.

Participation defines the industries, markets and segments that the business is prioritising (and by exclusion, those that it is de-prioritising). Differentiation describes how the business will compete – how it aims to create value for customers in a distinct and different way from competitors, ideally one that is hard for them to copy. Organisation describes how the business will be set up to deliver the desired differentiation in the markets it plans to compete in.

Of the three, differentiation has the biggest impact on CX strategy. This section of the chapter uses Treacy and Wiersema's three strategic value drivers to highlight how different ways of competing lead to different customer experience priorities in stark contrast to the one-size-fits-all approach to CX strategy that typifies current thinking. (Note: the Treacy and Wiersema model is a bit too simplistic for business strategy creation – the next chapter has a more detailed perspective on differentiation – but it is a useful analytical framework in this context.)

The section on organisation looks at a number of different tools. Firstly systems dynamics modelling as a means for defining how the business works (or should work). Secondly it introduces value network mapping – an approach that considers how external parties contribute to the organisation's value proposition delivery. Finally it expands on the stakeholder value exchange model referred to in the last chapter. All of which should help you understand the different elements involved in delivering your customer experience.

But the starting point is participation which has a significant impact on how much can be spent on customer experience.

Participation

Financial objectives establish the targets that the CX strategy needs to deliver in revenues and profit margins. In turn, the gross profit margin determines the amount there is to spend on supporting the customer experience.

The importance of gross margins became clear when I was consulting to the customer-facing businesses of a global oil and gas company. These businesses varied hugely in their gross profitability. At the top end of the spectrum were the lubricants businesses serving the automotive, marine, aviation and industrial sectors which would make gross profit margins in the 40-60% range. At the bottom end of the margin spectrum were the fuels businesses supplying petrol and diesel to forecourts owned by independent dealers or supermarkets. These businesses needed to survive on gross margins of around 3%, albeit with massive volumes.

As a result, both the funds available to invest in the customer experience and customers' expectations were very different. The higher the value-add that your business is providing, the more funds you have available and the wider the range of choices that you have. Given the wide range of lubricants provided, customers needed and expected high quality technical support to ensure that they chose the right one and applied it in the right way.

But for fuels customers, the only things that mattered were price and reliability of supply. As such the most important CX metric was the percentage of deliveries that were delivered on-time and in full. And the only other thing that mattered was if there was a failure to deliver, how quickly it was rectified. All of which meant their CRM needs were significantly simpler than their lubricants counterparts.

Put simply, the lower the gross margin of the business, the more funds are restricted and the fewer the dimensions you should aspire to excel on. As most of the exemplars quoted by CX experts tend to in higher gross margin areas, a lot of the standard advice on what a good experience looks like is very unhelpful if your business is in a low margin sector.

So what does that mean for you when devising your CX strategy? At this stage you are still very much in the discovery stage of its development. Learning from other businesses is an important element of discovery, but the important point is to be realistic.

If you are in a low-margin business, you will learn far more from Cargill – the agricultural commodities business that has been a leader in its sector in customer management for the last twenty years – than you will from Ritz Carlton. The question you need to ask yourself is 'what industries are most analogous in terms of profitability to the one we are operating in?' and 'which businesses are most successful in these industries?' the finally 'what kind of customer experience do these successful businesses provide?'

Answering these questions will help you find relevant exemplars with similar margin models that you can learn from. These comparators will be far more helpful to you than the general examples covered in books on customer experience as they will have similar constraints and opportunities.

Differentiation

In their 1995 book, The Discipline of Market Leaders, Michael Treacy and Fred Wiersema highlighted the three main dimensions on which companies could differentiate themselves – operational excellence, customer intimacy and product leadership.

Operational excellence delivers consistent quality, reliable service and competitive prices enabled by high levels of efficiency. Customer intimacy stems from a detailed understanding of customer's needs and wants which is translated into proactive and personalised service delivery (including customisation of the core offering to meet a customer's specific needs as well as personalisation of communications). Product leadership arises from having the most functionally rich products or propositions with features or service wrappers that others are not providing.

Whichever strategy is being followed, the customer experience must be designed as an integral component. Most importantly, even if you are following an operational excellence or product leadership approach, you can still deliver a good experience so long as it is complementary to the primary source of value being provided to customers.

But first a word of warning. Operational excellence, product leadership and customer intimacy are high level categorisations. They are more useful for diagnosis than strategy creation. Also the criticisms of the one-size-fits-all model for customer experience also apply (albeit to a lower degree) to a one-of-three sizes approach. Strategy should be unique and specific, not coarse and generalised – that is how differentiation is achieved.

The aim of this section is to show how different business strategy priorities fundamentally change the type of experience your brand should be providing. It is intended to open minds to the need for different approaches. And the examples provided below should be seen as illustrations rather than templates.

CX priorities if strategic focus is operational excellence

The objective of CX design should be to support the benefits delivered by the strategic approach being followed. Its aim should not be to mitigate the weaknesses of that approach, though that is the role that CX leads often take if the strategy is not as customer-centric as they would like it to be. It is not the role of the CX team to override senior management decisions. And if the focus is on mitigating the perceived weaknesses of the business strategy rather than building on its strengths, the effectiveness of the whole strategy may be undermined.

Operational excellence delivers high levels of efficiency and high levels of quality (i.e. low numbers of defects) enabling low prices augmented by speed and reliability – Amazon being a great example. But the risk from a customer experience perspective is that non-standard situations are handled poorly.

If the focus is on operational excellence, there are four primary CX priorities.

Deliver productivity gains

Driving productivity gains ensures prices remain competitive and quality remains high. Doing so requires continuous improvement, with data enabling high quality decision-making (important for increasing effectiveness and optimising returns) and process automation (key for driving efficiency).

Focusing on productivity may seem to be the opposite of looking after customers but it supports the value being delivered to customers via low prices and supply reliability so is critical to delivering the experience that they expect.

Keep it simple

Complexity makes operational excellence harder to achieve. Hence keeping the service simple – limiting add-ons which increase both costs and the scope for problems – reinforces the proposition of delivering the core service at a low price.

Price-based disruptors focus on eliminating elements that others offer as standard – IKEA outsourcing the job of assembling furniture to its customers being a great example. The natural desire of CX professionals is to increase the number of customers' jobs-to-be-done that they serve. But the opposite approach is likely to be more profitable when the strategic focus is on operational excellence, as is being a follower when it comes to service innovation rather than trying to be a leader.

Reducing service provision – taking away a service that is already in place to reduce costs – may trigger loss aversion and dissatisfaction. Behavioural research has found that we experience twice as much pain when we lose something compared to not having it in the first place. An example of this is the furore caused when British Airways ceased providing free meals so it could better compete with easyJet's prices. So far better to start with a narrow service than be forced to cut it back later.

Manage expectations carefully

Most importantly, if you are going to provide less than others, managing customers' expectations is critical. Our happiness with a service depends on its level relative to both our expectations and what competitors are offering – not its absolute level. Communicating what is excluded and linking exclusions to the primary benefit (low price) is key. The goal is persuading customers to buy (because the primary benefit is compelling) while managing expectations about other elements of the offer. This is something that the ultra-low-cost carriers like easyJet, jetBlue and Ryanair have traditionally done well.

Conversely delighting customers – as advocated by many CX advisers – risks raising expectations to unsustainable levels. Imagine a scenario where on your first meeting with your bank manager you are offered champagne but the next time only coffee – delight will be followed by disappointment.

If for operational or other reasons you over-deliver in a particular instance, the one-off nature of the experience needs to be highlighted. I experienced this first-hand with easyJet. For my flight from Edinburgh to London, I was upgraded to a seat in the emergency exit row which offered more legroom because they didn't have the mandatory two people required to remove the door should the plane need to make a forced landing. I believe the chief steward chose me because I would benefit more than other passengers due to my height (6'4") and leg length. But at the end of the flight he politely informed me that I should not expect such upgrades in the future!

Incorporate flexibility to handle moments of truth

Moments of truth arise when a customer has a lot of emotion invested in the outcome of an interaction.

Many of these happen when either the company (or the customer) has messed up. A highly standardised system typically does not handle such situations well (computer says no). But the benefits of recognising and escalating any such issues to a team with the remit to go beyond the procedures manual to achieve resolution merits the additional cost.

Mishandling moments of truth may result in social media-driven reputational damage while dealing with them empathetically can turn a complainant into an advocate. And given the exceptional nature of such events – by definition, they are unusual – dealing with them in a customised way doesn't create a risk of raising expectations to levels which can't be sustainably met.

CX priorities if strategic focus is product leadership

Companies following product leadership strategies include the likes of Apple, Nike and BMW.

Product leadership stems from a combination of performance and aesthetics. By satisfying emotional as well as functional needs, product leaders can achieve premium pricing. As a result their share of the profit

pool is higher than their market share – for example Apple has a 32% market share in smartphones but captures a 66% share of profits made on smartphone sales.[110]

But with products often being sold through retail intermediaries, product providers have limited control over the end customer's buying experience, at best influencing it through merchandising. What can be controlled in these instances is the experience of the intermediary customer – the distributor or retailer or implementation partner. As with most B2B value propositions, the key drivers here are financial – saving time, saving cost, reducing capital requirements, reducing risk and increasing sales. And the experience delivered to these intermediary customers needs to reflect those financial imperatives

But there are other elements of the experience that product providers control directly and the inherent requirements of product leadership create a different set of CX priorities compared to when the focus is operational excellence.

Consider all customer journeys, including usage ones

From the customer's perspective, all interactions constitute the experience they have, whether they be with the product or with the company. The manifestation of physical products plays a huge part in delivery of both functional and emotional benefits – from the sleek beauty of an Aston-Martin at one end of the price spectrum to the iconic Coke bottle at the other. Product design needs to be considered as much part of the customer experience as service design. But product interactions – particular with physical products – are often outside the scope of customer experience teams.

Redressing this requires the integration of organisational silos if physical products are owned by the design and engineering team, digital services by the service design team and customer interactions by the customer support team.

Product design teams have their own tried and tested processes and won't take kindly to CX professionals telling them what to do. Also the aim is not to change what they do and the benefits that the product delivers, but ensure that the same differentiation is reflected in other interactions. And along with R&D, product teams should have the clearest understanding of where the company delivers superior value and where competitors are better.

This knowledge – often implicit rather than explicit – is vital to ensuring that the interactions with the company complement the interactions that customers have with its products and services. Bringing product designers into customer experience workshops will forge an integrated approach that delivers a more consistent brand promise.

Expand range of customer jobs being served

Journey mapping starts with the customer's desired outcome and details all the jobs-to-be-done that the customer must complete for them to achieve that outcome. Whereas those focusing on operational excellence should limit the number of customer jobs they seek to serve, product leaders should look to increase them.

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[110] Apple Continues to Lead Global Handset Industry Profit Share, Karn Chauhan, Counterpoint, 19 December 2019

Customer jobs can be split into two main categories – information-related ones and service-related ones. The latter are well understood but many of the least well-served jobs relate to the former – when the customer needs information, for example to make a decision.

Satisfying these needs can significantly improve the experience. In the early stages of the buying process, product leaders can help customers formulate and specify their needs. For example, Pilkington has developed a set of tools and calculators to help building contractors specify and price their exact glass requirements,[111] with Armitage Shanks doing the same for bathroom appliances.[112] In both cases these tools deliver an additional benefit of collecting data in a consented way, with privacy-respecting aggregation of that data enabling a better understanding of customers' general requirements to be gained.

The Internet of Things (IoT) also provides significant scope for improving the customer experience. In addition to selling farmers seeds, Bayer (formerly Monsanto) created a service which uses weather, crop and soil data to help farmers know the optimal times for planting, watering and harvesting crops[113] – massively expanding the number of jobs Bayer is supporting and thereby the value it is adding. Bayer has moved from selling seeds to becoming crop solution providers.

Similarly Philips CareSage enables clinicians to monitor patients remotely via wearables so they can intervene before an adverse event arises.[114] And insurance companies are incorporating smart devices (e.g. flood sensors) in homes and cars (behaviour monitoring) to help customers reduce their risk of loss and hence their premiums.

IoT Sensors also help with product maintenance in the later stages of the lifecycle. Using sensor data, vehicle manufacturers are able to warn car owners about an impending fault so the part can be replaced before the car breaks down. This significantly improves the experience as downtime can be very costly or inconvenient. (Note: in these situations, data access rights need to be considered. US aftermarket service providers are arguing[115] that vehicle owners should be able to share smart car data with whom they want rather than the vehicle manufacturers like GM and Ford having exclusive access.)

Servitise product offering

Turning products into services, known as servitisation, reduces the risk customers face when making a purchase, particularly one with a heavy up-front cost. The most famous example of servitisation is Rolls Royce's Power by the Hour – first introduced in 1962 – enabling airlines to manage aircraft maintenance costs[116]. Predictive maintenance is again critical to ensuring the service is profitable.

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[111] https://www.pilkington.com/en-gb/uk/architects/specification-tools

[112] https://www.idealspec.co.uk/spec-tool.html

[113] https://www.cropscience.bayer.com/people-planet/podcast

[114] https://www.lifeline.philips.com/business/caresage.html

[115] https://www.autonews.com/suppliers/aftermarket-suppliers-battle-data

[116] https://www.rolls-royce.com/media/press-releases-archive/yr-2012/121030-the-hour.aspx

Other examples of servitisation include payment-per-copy printing services provided by companies like Xerox.[117] In B2C markets, the biggest examples are Netflix and Spotify for film and music streaming. But pay-as-you-go insurance services from companies such as Cuvva[118] are also becoming increasingly popular.

Enable product customisation

Designing modular products, thereby enabling consumers to customise a product to their specific taste, is another means of improving the experience. Vehicle manufacturers such as Jaguar[119] and BMW[120] provide buyers with multiple different options – everything from colour and engine type, through transmission and wheel style to the design of the interior and inclusion or not of accessories such as parking assist. Similarly HP and Lenovo enable buyers to customise laptops before they order, Nike by You[121] offers customisation of trainers and the vast majority of storage furniture providers (e.g. Neville Johnson[122]) allow customers to create solutions that are tailored to their specific needs.

The challenge with all these services is to provide flexibility without providing so much choice that a decision is too hard to make. Also preferences vary by country - whereas vehicle customisation is standard in Europe, in the US vehicle manufacturers have found that offering a range of specific packages delivers more uptake than providing a seemingly endless list of customisation options which customers don't have the patience to work through. In a similar vein Dell, the pioneer of PC customisation, now provides a filtering service on its website rather than the customise and buy option offered by HP and Lenovo.

Create a Direct-to-Consumer model

A number of product leaders such as Apple and Nike have created direct-to-consumer (D2C) models.

There are multiple benefits of D2C. Firstly cutting out the retailer can enable lower prices to be charged. Lower prices are behind the success of dedicated D2C start-ups such as Warby Parker[123] (eyewear), Caspar[124] (mattresses) and Harry's[125] (shaving accessories). Alternatively it can enable the product provider to capture a larger share of the overall profit margin – the primary incentive for Apple and Nike – while providing more control over the consumer's buying experience and enabling the business to build a stronger relationship with customers.

The ability to build a stronger relationship stems from direct access to customer data – notably what the customer has purchased, what they have looked at, etc. – all of which is less readily available when sales are via an intermediary.

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[117] https://www.office.xerox.com/latest/MPSBR-04E.pdf

[118] https://www.cuvva.com

[119] https://www.jaguar.co.uk/build-yours/index.html

[120] https://www.bmw.co.uk/en/all-models.html

[121] https://www.nike.com/nike-by-you

[122] https://www.nevillejohnson.co.uk/bespoke-furniture/

[123] https://www.warbyparker.com

[124] https://casper.com

[125] https://www.harrys.com/en/gb

Building stronger relationships is a focus for many product companies. In 2018 Unilever announced a goal of building one billion one-to-one relationships[126]. Because it primarily sells through intermediaries such as supermarkets, Unilever's ability to achieve this will depend on its success in persuading consumers to share information on what they have bought. This is seamless in a D2C model. But when it relies on consumers sharing this information by some other means, it is far harder to achieve.

CX priorities if strategic focus is customer intimacy

Customer intimacy enables businesses to deliver services that are proactive and personalised. Examples of personalised services range from consultancy in B2B sectors to medical care, bespoke tailoring and concierge services for consumers.

Proactivity requires a lot of insight into customers. In B2B markets this can be achieved with relatively low tech means when there is a relatively small number of customers. The most customer intimate business in the oil and gas multi-national I worked with was the one selling fuels to the eight North American railroad companies. Because there were only a handful of potential customers and their purchase volumes were so huge, this could be achieved by having multi-faceted account teams (commercial, logistics, health and safety, etc.) speak daily with their counterparts at the account they were looking after. They knew their customers so well that they could spot problems before they arose, without the need of even a CRM system – everything was captured in simple spreadsheets.

But in mass B2C markets, a much higher tech approach is required – predictive modelling and decisioning linked to an execution capability. For this to be effective, a lot of data is required. So proactivity is generally the preserve of industries such as digital search and social media services, banking, mobile telephony and home entertainment, for example.

The risk is that the desire for intimacy is often one-sided – companies desire more intimacy with customers than vice versa. When you think about it as a customer, there are probably only a handful (at most) of brands that you trust enough and provide you with sufficient value for you to want to have a relationship with them.

As highlighted in the first chapter, there is a tendency for brand managers to forget that when they are on the other side of the fence. When we work for a company, we are more likely to fall in love with its brand and struggle to see why anyone else would not. In our heads customers want far more intimacy than they really do. And if you are pursuing a strategy of customer intimacy, it is worth remembering that an unrestricted desire for unrequited intimacy is otherwise known as stalking!

Create services that generate customer data

Building customer intimacy may require more customer data than you currently have, in which case the starting point is to generate more. Data generation occurs automatically with digital interactions and as highlighted in the section on Product Leadership the incorporation of smart services into an offering achieves the same effect.

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[126] Unilever isn't relying on ad agencies to build 'direct relationships' with a billion consumers, Rebecca Stewart, The Drum, 7 June 2018

But it is also possible to create decision support tools that deliver similar results. Zoopla is a digital service which helps people decide where they want to live and it provides a tool for identifying areas within a given travel time[127] of a specific location. It also provides tools to help homeowners value their property[128], the benefit to Zoopla being the insights into their intentions these tools reveal.

Similarly Credit Karma has created a range of credit calculators[129] to help consumers better manage their finances. These calculators capture information on outstanding loans, income and expenditures that would otherwise be the preserve of each individual's bank or credit card company. Data collected in this way can then be used to provide a proactive and customised service – something that otherwise would not be possible for a non-bank business.

Another great example of using smart devices to achieve the same effect is Disney's MagicBand[130]. MagicBand gives visitors access to parks and hotel rooms, provides FastPass access at specific times, facilitates in-park purchases and enables Disney characters to have personalised interactions with children. In return, Disney automatically integrates location data, character interactions, ride choices and purchase histories providing valuable insights that enable capacity management to be optimised, the aim being to make the experience so good that customers are discouraged from visiting competitor parks.

Personalise digital services and interactions

Generating data on customers supports personalisation. Effective personalisation helps consumers achieve their specific job-to-be-done – whether that be information related, such as suggesting further articles or videos based on the one just viewed (something which YouTube does very well – potentially too well) or it could be service related – suggesting complementary products to an item that has just been purchased.

UK retailer The Very Group, has long aspired to deliver the world's most personalised shopping experience[131], experimenting with personalised gallery pages (e.g. when you search for jeans, providing a listing that is tailored to your past brand, price and style choices) and extending to delivering a personalised home page for each customer.

But effective personalisation is hard. When it is too accurate, it can be creepy. The sense that companies have a deep understanding of us is highly disconcerting. And when it is inaccurate or clearly designed with the company's rather than customer's interest in mind, it irritates rather than pleases.

Supermarkets are well positioned to provide personalisation as our weekly shop generates valuable data that reveals a lot about our lifestyles and preferences. But elsewhere the depth of understanding required for personalisation is more limited. For an individual fashion retailer it is even harder as they may only be privy to less than 20% of our clothes purchases, so won't accurately know what we have already

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[127] https://www.zoopla.co.uk/travel-time/?search-section=to-rent

[128] https://www.zoopla.co.uk/home-values/

[129] https://www.creditkarma.com/tools

[130] https://www.disneyworld.co.uk/plan/my-disney-experience/bands-cards/

[131] https://theverygroup.com/shop-direct-moves-closer-goal-building-worlds-personalised-shopping-experience/

purchased. To counter this problem, services such as Dressipi[132] are emerging to help consumers share purchase data across retailers to improve the quality of recommendations they receive.

Use insights to protect customers

A third area where customer intimacy can improve the customer experience – and in the process build trust – is using the understanding that intimacy yields to protect people from self-harm.

The potential for the service to be harmful is obvious in industries such as tobacco, alcohol and gambling. Responsible companies in these sectors have to balance duty to shareholders with a duty of care to their customers. In their book, *Competing on Analytics*, Thomas Davenport and Jeanne Harris describe how the casino operator Caesars Entertainment uses its loyalty system to track customer activity. So if a customer is losing too much money too fast, Caesars sends the customer a message offering a $20 coupon for the buffet to be used in next hour – a diversion to help them break a downward spiral.

In a slightly different context, Facebook has created an algorithm that tracks peoples' posts and assesses the likelihood of imminent self-harm[133] with those at high risk flagged to local support providers for more detailed assessment. And to help people improve their health, the insurance company Vitality[134] undertakes a health risk assessment of new customers, creates an individualised action plan to help them make healthier choices, monitors progress using wearables and rewards progress with points that can be redeemed against a variety of benefits.

All of these are examples of using a data-driven understanding of the customer to help them make better choices. When this is clearly in the interests of both sides, as is the case with Vitality, it is a commercially sensible thing to do. And when it is not in the company's interest, as is the case with Caesar's, the effect is to build trust that the company will not take advantage of customers when they are vulnerable.

All the above examples are designed to highlight the need to think differently when strategic priorities differ and whet your appetite as to the range of dimensions you have to work with. But which set of priorities are most appropriate?

This is where the process of decoding your strategy begins. In the next chapter we will use a more sophisticated model for mapping how your business differentiates itself versus competitors. But it is still worth asking yourself about where you fit versus competitors on the three dimensions outlined. How strong are you in terms of operational excellence, product leadership and customer intimacy versus your biggest competitors? Who scores best and worst on each dimension? Scoring poorly on one dimension – even two – is fine if you score exceptionally well on the third. That is the whole point of strategy – making trade-offs. Which dimension do you score best on – hopefully you are the leader in one rather than being stuck in the middle on all three!

The next step is to expand your understanding of the art of the possible. This is done by reviewing the analogous industries you have identified, as highlighted in the Participation section, then determining which businesses have a similar competitive positioning to yours before finally doing a deep dive into the

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[132] https://dressipi.com

[133] https://www.facebook.com/safety/wellbeing/suicideprevention

[134] https://www.vitality.co.uk/rewards/

experience they are providing to generate a list of further ideas. It is important at this stage to recognise that these are just options. Before actual solutions can be architected, a better understanding of the specific challenges your business is facing is required.

As mentioned at the beginning of this section, it is crucial that the experience you design complements the strategy your business is following. Learning from exemplars is fine, so long as they are relevant to your industry and your strategy. The constant reference to the same exemplars in book after book on customer experience – without any reference to the specifics of their industry, their positioning within that industry and their commercial success, is the biggest disservice that CX experts have done to the industry. And I would argue that is one of the main reasons why CX roles are not a common route to the top of a business.

Organisation

Organisation describes how a business delivers its desired differentiation in its target markets. The starting point is the business model – how the business will set up to deliver its value proposition to its customers. And the first part of this section will show you how to map your business model using a systems dynamics map.

This may be sufficient but usually value proposition delivery requires an ecosystem of providers. In simple value chain or value network language, this reflects what the business will do and what it will outsource or leave to suppliers and partners. This will be covered in the second part of this section. The third part covers the value exchanges that need to take place with the different stakeholders a business has – not just customers but employees, partners, suppliers, local communities and obviously shareholders.

Mapping your business model

A business model tells the story of how the business works. The legendary management guru Peter Drucker defined a business model by the questions it should answer - who is your customer, what does the customer value and how do you deliver value at an appropriate cost? More recently, the late Harvard Business School professor Clayton Christensen described a business model as consisting of four components – a customer value proposition, a profit formula, key resources and key processes[135]. Finally many CX professionals, particularly those with a service design background, will be aware of Alexander Osterwalder's nine part Business Model Canvas.

All of these are perfectly valid ways of trying to describe a business model. But they all lack a dynamic or systemic perspective. Both these perspectives can be achieved by using a technique called system dynamics mapping.

System dynamics maps model business choices and consequences – what decisions have been made, what the consequences of those decisions are (both intended and unintended), the second order consequences, and so on.

One example of a simple loop that might appear in a system dynamics map – and one that CX professionals will recognise – is a decision to invest in creating a great experience leading to customers being happier with the service provided (first order consequence) which leads them to buying again in the future and

[135] Reinventing Your Business Model, Mark Johnson, Clayton Christensen and Henning Kagermann, Harvard Business Review, December 2008

telling their friends or making online recommendations (second order consequences) which increase revenue and profits (third order consequences) which enables the business to reinforce its choice to invest in the customer experience – or make other choices.

In a system dynamics map, this is represented by the decision with an arrow pointing to the consequence. Next to the arrow is a + or – sign to signify whether the relationship is in the same direction. So for the example given above, the arrows will have + signs next to them. An example of the opposite relationship would be investing in self-serve channels to make them easier to use leading to a reduction in costs to serve.

The next step is to identify causal loops. There are two basic loops — reinforcing (R in diagram below) and balancing (B) – which provide the foundations for systems thinking. As the systems expert Daniel Kim, co-founder of the MIT Organizational Learning Center, puts it, "These simple structures combine in an infinite variety of ways to produce the complex systems that we as managers are expected to control." [136]

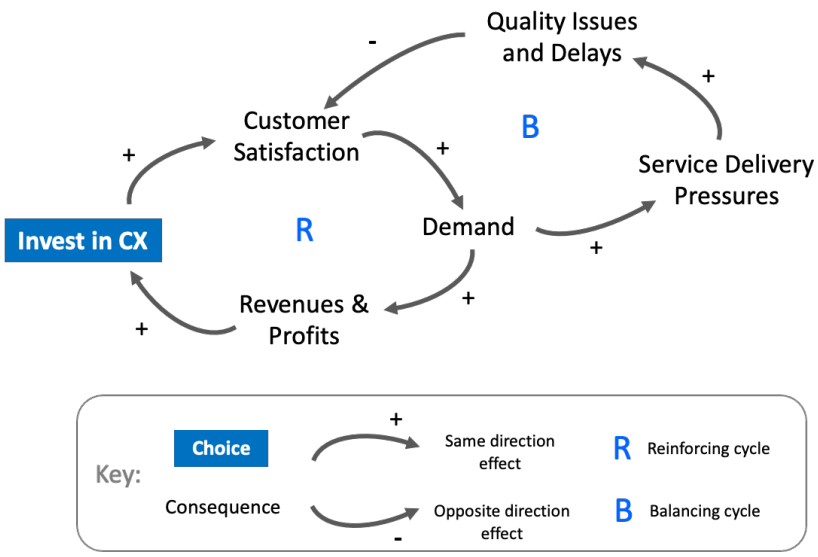

Figure 7: CX Reinforcing and Balancing Loops

Reinforcing and balancing loops are not good or bad in themselves. Reinforcing loops generate growth or decline. And by compounding change, they create either virtuous or vicious cycles

For example, the figure above outlines a simple customer experience example. A virtuous cycle would arise from the decision to increase investment in customer experience leading to higher levels of satisfaction leading to increased demand from existing customer repurchases and their recommendations to their friends. A vicious cycle ensues if you choose to invest less, leading to lower satisfaction and reduced demand as customers leave and bad-mouthing the company to friends. (Remember the "+" sign reflects an effect in the same direction rather than an increase, and a "–" signifies an effect in the opposite direction.)

Of course, no virtuous or vicious cycle can continue for ever. There are opposing forces which act as brakes on further change in a given direction. These are called balancing loops and they exist to try to bring things into equilibrium. Balancing loops are far less noticeable than reinforcing loops because the job they do is to keep things unnoticed, but they are far more commonplace. As Kim points out, "It would not be a gross

[136] https://thesystemsthinker.com/introduction-to-systems-thinking/

exaggeration to say that balancing processes are everywhere. They are far more ubiquitous than reinforcing loops."

Intuitively telling a reinforcing loop from a balancing one is easy, but your map may be full of complex cycles where the story is not obvious. Kim advises that an easy way to tell a reinforcing loop from a balancing one is by counting the number of negative (as in inverse or "-") relationships. As the above example shows, reinforcing loops only have positive (or "+") relationships. So if there are no negative relationships, the loop has to be reinforcing. The same is true if there are an even number of negatives, meaning they balance so the loop is driven by the positive relationships. But if there is an odd number of negatives, then it is a balancing loop.

The customer experience example above also includes a balancing loop – an increase in demand increases service delivery pressures and these increase the number of quality issues and delays, which then reduce customer satisfaction.

When undertaking this exercise with a price comparison service, it was clear that they had a developed an effective reinforcement loop between the marketing and sourcing parts of the business. By spending more on advertising and brand building than their competitors, our client was able to secure higher volumes of customers. These higher volumes meant they could negotiate better deals from insurance providers, meaning lower premium offers to customers which in turn translated into even higher volumes, greater profits and even more money for advertising and branding. However this virtuous cycle could become vicious if an alternative comparison site (or completely new form of insurance intermediation) started to eat away at the volume advantage that the business had, leading to less preferential rates from providers, higher prices to customers and even lower volumes.

Fortunately there was another reinforcement loop that was currently hindering the business but could be reversed. This was between the customer relationship and marketing functions. Historically there had been no contact between the customer and the comparison service between renewals, which meant that effectively it had to re-acquire each customer every year, thereby requiring a higher level of marketing costs.

We identified that the company could develop a range of services to help customers with insurance-related jobs-to-be-done across the whole year (providing a vault for all insurance documents whether purchased through the comparison site or not, for example) that would build the relationship, keep the comparison service front of mind when it came to renewal time and increase switching costs because the service enabled pre-population of multiple fields. All of which would lead to the reversal of the reinforcement loop from a vicious one into a virtuous one.

So what does a fully developed map look like? In their excellent Harvard Business Review article on How to Design a Winning Business Model[137], Ramon Casadesus-Masanell and Joan E. Ricart share one developed for Ryanair (see figure below).

Casadesus-Masanell and Ricart describe consequences in two ways – flexible and rigid. Flexible consequences respond quickly when the underlying choice changes - increasing prices typically results in lower volumes in a pretty short time frame. Rigid consequences take much longer to change. For example,

[137] HBR January-February 2011

the choices that a company makes to support its desired culture will have long lasting effects – the culture is likely to persist even if those decisions are reversed.

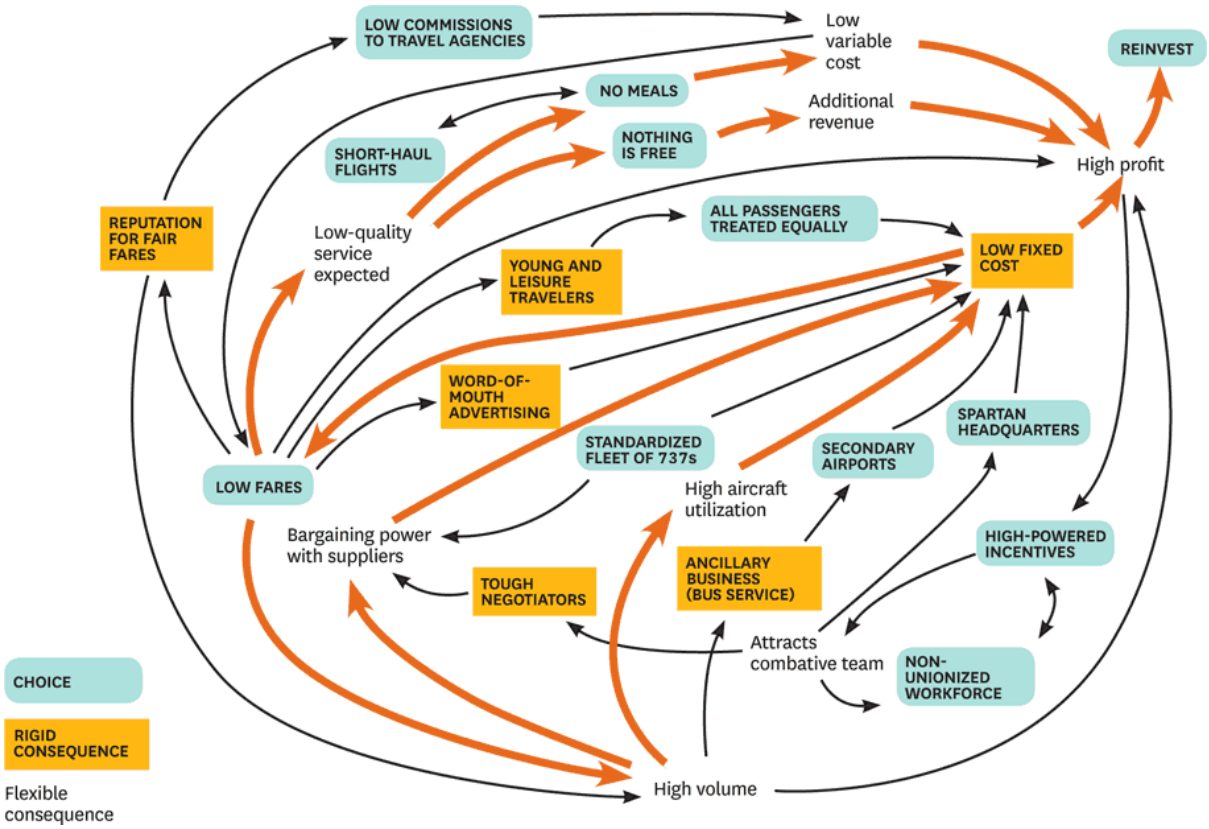

Figure 8: Ryanair business model, source: How to Design a Winning Business Model, Ramon Casadesus-Masanell and Joan E. Ricart, HBR, January-February 2011

As the graphic illustrates, Ryanair's choices include flying out of only secondary airports, using a standardised fleet of 737s, providing short-haul journeys only, treating all customers the same and charging for all additional services, all of which enable it to charge low air fares. The consequences of those choices include low customer expectations, high volumes and low costs.

Ryanair's model has multiple reinforcing loops which underpin why it has grown so fast. For example, low fares attract young and leisure travellers which supports the choice that all passengers are treated equally. This keeps fixed costs low, enabling low fares to be charged. Similarly low fares lead to high volumes of passengers which delivers high aircraft utilisation and lower costs, again enabling the low fare policy.

So where do you start the process of mapping your business model? One way is articulating what Kim calls your core theory of success. He cites the example of Curtis Nelson, president and CEO of Carlson Hospitality Worldwide, who wrote in the company magazine: "Take care of your people, inspire them, allow them to grow to their full potential and evoke their personality, and they will reach a higher level of job satisfaction. That in turn inspires greater commitment, which leads to greater guest satisfaction."[138]

If you were to turn this into a system diagram it would be investments in enabling people to achieve their potential enhances their job satisfaction, which builds their commitment to delivering excellent service, in

[138] What is your organization's core theory of success, Daniel Kim, The Systems Thinker

turn this translates into higher customer satisfaction leading to more repeat business and word-of-mouth recommendations, resulting in higher revenues, an increase in profits, enabling more investments in people.

Of course, your core theory of success will entail many loops, as per the Ryanair example, not just one. But if you start out with a high-level loop that senior management will recognise it is easier to add layers than start with an incredibly detailed map and then attempt to abstract from it.

The underlying loops will be interconnected and their dynamics may not be intuitively obvious. Also there are unintended consequences as well as intended ones and these may take longer to uncover. So building a true representation of your business model takes time. But even completing a first draft will reveal how the business is intended to work to deliver your target experience.

This delivers hugely powerful insights for where the customer experience sits in the context of the overall business model and, in particular, how it reinforces it. The Ryanair example highlights how low service levels are integral to the model given how they shape customer expectations and keep costs low. Looking to 'wow' or delight customers by delivering amazing service would through a spanner in the works and impair how the system works.

Also the model outlines how the business is designed to work. But not all parts will be working as intended and additional insights will arise from identifying where problems are occurring and fixes are required.

Finally creating such a map will help define the key performance indicators and metrics you should be monitoring. Consequences should be measurable – this is not always possible but it is a good aim to have in mind. This has two benefits, firstly it highlights what should be being measured. Too often businesses fall into the trap of measuring what can easily be counted rather than what it is most valuable to measure. Secondly measurability enables the causal loops you have defined to be tested – are they working as intended, does an increase in customer satisfaction translate into higher revenues, for example.

But what systems dynamics maps don't do is look beyond the organisation's boundaries. For that we turn to our next tool, value network mapping.

Mapping your ecosystem

One way to define where your business has defined its limits is to map the customer ecosystem in which your organisation sits using a technique called value network mapping.

Value network mapping was devised by Elke Den Ouden to map how all the parties in an ecosystem contribute to delivering value to the customer. In contrast to systems dynamics mapping which is very business-oriented, the customer is front and centre in this model, making the two approaches excellent complements.

Den Ouden has a particular interest in social innovation where collaboration between commercial businesses and governmental bodies makes it particularly relevant. But it has also been used by enterprises such as Philips as part of their innovation development process.

The underlying principle behind the idea of mapping your ecosystem is that the traditional way we thought about value creation no longer applies. Rather than value chains with suppliers and customers, we need to

think about value networks where the collective can generate greater value for customers than each party can do individually. And whereas in the traditional value chain model where all transactions are financial, in value networks much of what is exchanged is less tangible – information, knowledge and reputation being good examples.

Den Ouden envisaged value network mapping as a tool to support innovation - a way for those creating new services to think about the ecosystem required to deliver optimal value to customers, with value propositions being a combination of products and services from different organisations. But even where ecosystems have not been designed deliberately, they have evolved. And the tool is equally valuable for diagnosing how value is being created in these ecosystems.

If we take the example of buying a house, the customer's desired outcome is having a new home to achieve that there are multiple jobs that they need to complete. But most providers – realtors or estate agents, property surveyors, lawyers, banks, mortgage brokers, etc. – only tend to look at their small part of the solution.

My colleague Graham Hill highlighted this in a recent LinkedIn post.[139] He cites his experience of working with the mortgage division of a bank. Traditionally the bank had only been focused on its interactions with the customer, all of which related to selling a mortgage. When Graham and his team flipped the perspective to the customer job of financing a new home, a whole raft of different interactions were identified. Indeed the bank's interactions accounted for only around 30% of the total. The majority of interactions were with other actors in the customer's ecosystem, many of whose interests were not aligned with the bank's (e.g. mortgage brokers and comparison platforms).

Graham and his team identified an additional 10% of interactions that the bank could support if it looked at the journey through the customer's eyes. They also found that an additional 30% could be supported by actors that the Bank could partner with to the benefit of all parties. And for the final 30%, the Bank could assist customers by creating information services – guides, checklists and decision support tools. As Graham wrote in his article, "the Bank could have increased its engagement with customers from 30% of the interactions during their journey, to 40%, 70%, or even 100%, just by taking a less myopic perspective."

Clearly where a business chooses to play should be a strategic decision. But often the reality is not a specific decision but an evolution that has taken place without strategic consideration. Underlying this evolution is a set of implicit assumptions and bringing them into the open – as value network mapping does – enables senior management to think about them in a deliberate manner.

There are no hard and fast rules here. Just because you can help customers with jobs that others are currently supporting doesn't mean that you should. Value – to both customer and your business – needs to be considered when deciding whether to expand into other areas of the ecosystem. And the same applies if the opposite is true – the business is overstretched so withdrawing from certain areas and leaving them to other players is strategically sensible. There may be far more value in being brilliant in just one part of the value proposition and making yourself the indispensable partner that everyone needs because of your unrivalled expertise rather than diluting the quality provided across different elements of the proposition.

Value network mapping, like systems dynamics mapping, helps you to decode what the current strategy really is. As well as providing a foundation for the CX strategy you will be developing, these maps will be

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[139] https://www.linkedin.com/feed/update/urn:li:activity:6821769753758064640/

extremely valuable to senior management (assuming they are open minded). They highlight outdated assumptions, inconsistencies, broken elements in the model and deliver a variety of other insights. In the process you are starting to shape business strategy as well as reflect it in what you are developing – helpful if your ambition is to rise to the top of the organisation.

So how do you go about mapping the value network that you are in?

Step one is to put the customer at the centre and identify all the jobs that they need to complete to achieve their desired outcome.

The next step is to identify all the actors in the customer's ecosystem who help them complete those jobs. Den Oude identifies a range of potential actors including providers of goods, providers of services, providers of content, providers of systems or solutions, providers of marketing services, enablers (such as platform providers), financiers, intermediaries (such as retail partners), suppliers and manufacturers, competitors and government bodies. Then under each actor, list the jobs they help the customer complete.

The final step involves linking the different actors by how value flows between them. Den Oude defines four categories of value flows – goods and services, money and credits, information, and other intangibles.

Goods and services flow between two parties and there typically is a parallel money/credit flow in the opposite direction. But the same is not always true the other way around – government bodies grant subsidies and banks provide loans without receiving any good in return.

Flows of information can be standalone or related to other flows. A government body providing subsidies to one actor in the ecosystem may be rewarded with information from another. Or a goods and services provider may share information with a supplier as a way of reducing how much it pays, information flowing in the same direction as money and credit.

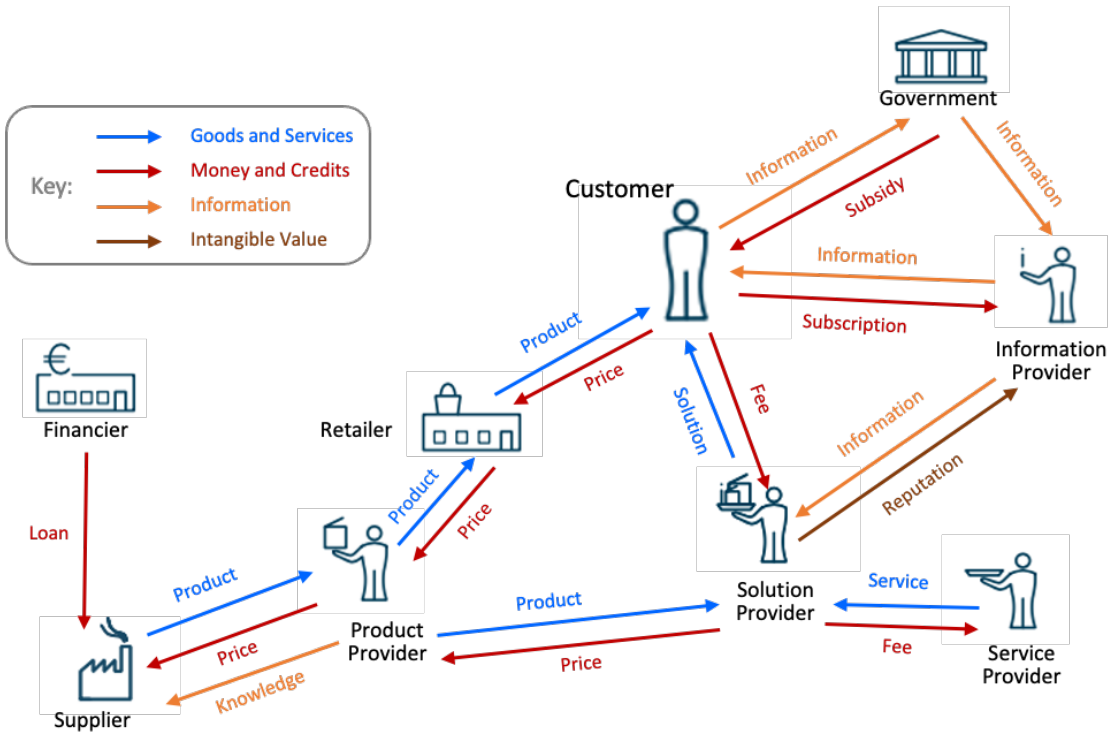

Figure 9: Illustrative Value Network Map, source: Elke Den Ouden

The illustrative map above includes all the potential different value flows and some of the potential different actors. It shows who is touching the customer directly and who is in a supporting role. The map highlights two potential ways the value proposition is being delivered. Firstly by a solution provider who integrates products, services and information into a cohesive offering that minimises the work required by the customer. The alternative is where these different elements are provided separately and customers have to create the solution they need themselves.

The example above illustrates the multiple value exchanges that exist between the different players. As Den Ouden points out, value networks are formed by negotiation among the different stakeholders, with complexity added by multiple potential conflicts of interest. To navigate such discussions, it is helpful to be clear on what value each stakeholder is providing and what they are getting in return.

Using stakeholder Value Exchange Model

This brings us to our third model, the Stakeholder Value Exchange Model. This is a model that I developed in the late 2000s with Richard Sanders and was the basis for articles published in the journal of the Strategic Planning Society[140] and on the Harvard Business Review website.[141]

Recognition of the need to balance the interests of all stakeholders – not just seek to maximise shareholder value to the cost of everyone else – was a relatively new perspective when we defined our model. But over time momentum has built and eventually led to the Business Roundtable updating its statement on the Purpose of the Corporation in August 2019 to include commitments to customers, employees, suppliers and communities as well as shareholders.

Equally over the last decade there has been increasing focus on the importance of ecosystems in creating value for customers. Ecosystem thinking and stakeholder thinking go hand-in-hand. As outlined in the section above, a multitude of stakeholders are involved and all of them need to gain something from their contribution – whether that be financial or something less tangible such as information or reputational benefits.

The central point of stakeholder capitalism is the idea that senior management should increase the pie for all stakeholders before trying to divide it up. As I argued on hbr.org at the time: "No system can thrive if one member group continually benefits at the expense of others. Any unfairness in treatment will result in suppliers prioritizing other customers, staff leaving to work for other companies, or customers defecting to other suppliers or shareholders selling. In this context, strategy is the art of balancing how value is shared among different stakeholders so that overall value creation is maximised. Its aim is then to sustain superior profitability over the long run rather than maximise it in the short term. The system reflects what economics professor John Kay has called obliquity — the idea that some objectives (in this case, long term shareholder returns) are best achieved by indirect or oblique means."[142]

At the time, however, there were no models for how to achieve this. And it struck me that customer strategy, with its focus on the value exchange between the customer and the enterprise, could provide a

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[140] Developing a Stakeholder Scorecard, Jack Springman and Richard Sanders, Strategy Issue 26, December 2010

[141] Implementing a Stakeholder Strategy, Jack Springman, HBR website, 28 July 2011

[142] ibid

starting point for a broader model. (And it was the creation of this broader model that looked value exchanges with all stakeholders that made me see customer-centricity as a valueless clarion call.)

The image we created at the time to explain the concept is below.

Figure 10: Stakeholder Value Exchange Model

This illustration aims to show that the enterprise creates value for and receives value from multiple stakeholders and these value exchanges shape the capabilities that the organisation needs to develop. Furthermore senior management need to ensure that there is a robust profit model at the centre, otherwise it won't be able to deliver value to shareholders.

In addition we highlighted the value dimensions that each stakeholder could deliver to the enterprise and receive in return, and how that might be measured with an overall goal of creating a stakeholder scorecard that would measure how effectively the business was implementing its value exchanges (see Figure 11).

	Value Offered		Value Sought	
	Components	Performance Measures	Components	Target Outcome Measures
Employee	• Pay (premium/fair) • Equity • Job security • Training • Career path • Work-life balance • Pride in job / Community status • Health and safety	• Pay versus comparators • Staff shareholders / shareholdings • Redundancies, temporary staff percentage (to absorb fluctuations) • Days training p.a. • Management roles filled internally • Staff satisfaction • Injury-free days worked	• Staff loyalty • Championing company • Ideas for improvements • Involvement , commitment • Flexibility • Productivity	• Staff churn • Staff suggestions – number / breadth • Staff satisfaction • Voluntary activities – clubs, teams • Days lost – sickness/absence/dispute • Activity/FTE • Revenue/ profit per FTE
Customer	• Product /service performance • Choice • Convenience • Responsiveness • Security • Feel-Good • Low cost	• Productivity or value gain enabled • New product/ service introductions • Product / service defects • Complaints, issue resolution times • Delivery turnaround • Relative price • Customer satisfaction, NPS	• Retaining existing customers • Broadening/ deepening relationships • Recommendations to prospects • Expansion of customer base • Improving customer profitability • Ideas for improving experience	• Customer satisfaction • References provided • Customer acquisition rate • Customer retention / churn • Share of customer wallet and growth • Customer profitability • Customer lifetime value
Supplier	• Volume guarantees • Price (premium / fair) • Payment terms • Contract length • Status (platinum, etc) • Information sharing • Recommendation	• Volumes purchased • Prices paid • Payment record • References provided • Status mix (% platinum, etc)	• Supply security • Supply prioritization • Cost savings - supply chain integration • Cost savings – price paid • Information sharing	• Inventory levels required • Price paid, discount received • Product /service defects (on-time, in full deliveries; invoice accuracy) • Credit days provided • Complaints made • Issue resolution times
Partner	• Performance • Status (platinum, etc) • Information / IP sharing • Recommendations / introductions • Shared marketing • Training	• Shared customer satisfaction • Recommendations provided (and revenue generated) • Performance v other partners • Shared marketing spend • Training purchased/ sold	• Partner performance • Status/ accreditation enjoyed • Information received • Recommendation / introductions • Shared marketing	• Shared customer satisfaction • Partner satisfaction • Recommendations received (and revenue generated) • Partner relative performance
Shareholder	• Risk profile • Returns profile (capital growth, dividend etc.) • Profits growth • Economic value added	• Share price • Sales growth • Operating profit margin and trend • Return on capital employe / trend • Profits /Dividend growth	• Shareholder loyalty (for private / private equity/ public ownership) • Support for further fundraising • Premium valuation • Referrals / introductions	• No of shareholders • Length of shareholding • Price-earnings ratio / EBIT multiple
Society	• Ethical behaviour / example • Investments in sustainability • Carbon usage reduction • Compliance (match/exceed) • Charitable support • Staff development	• Carbon footprint / offset • Charitable donations • Compliance breaches • Waste recycled • Purchases from sustainable sources • Training expenditure	• Enhanced reputation • Customer retention and acquisition • Lower risk of investigation and savings on mandatory investigations • Support from government • Regulatory benefits	• PR coverage for green performance • Days supporting compliance audits • Enhanced lobbying power • Tax advantages from socially responsible behavior

Figure 11: Stakeholder Value Dimensions

While it is by no means exhaustive, the table above provides a practical tool for you to start to understand the value exchanges that exist within the value network you have mapped. Obviously there will be a product and service element to most of these balanced by a financial one. But how else is value being created for each party? And how are you tracking the value you are receiving from being part of the ecosystem?

Through the use of the approaches and tools outlined above, you will be able to gain a strong understanding of what your organisation's business strategy is – where it participates, how it competes, and how it organises itself to deliver value to all stakeholders. But one area – the one that has the biggest impact on CX strategy – requires more of a deep dive. That is the differentiation embodied in your value proposition to customers. That is covered in the next chapter.

5. Determining your differentiators

How your business seeks to differentiate should be a key focus for how you design your target customer experience. This chapter highlights the different dimensions that you can use to differentiate and illustrates the point with a UK supermarket example.

The foundation for any organisation's customer experience is its value proposition – how it creates value for customers and differentiates itself from competitors.

In turn, your value proposition should shape the customer's journey with you, specifically in how you help them complete their jobs-to-be-done and achieve their desired outcomes.

Your value proposition may be articulated in formal terms as a brand or customer promise. When a brand promise is specific, clearly defined and a genuine source of differentiation, then reflecting it in your customer journey orchestration is relatively simple.

But often that is not the case – the promise is neither explicit nor specific (meaning it is something that every company in your industry could say). In such instances, the framework below can help you deconstruct how your business really creates value for customers in ways that are different to your competitors so that you can reinforce that differentiation in your journey design.

This chapter explains the two different parts of value creation – core and differentiating. Core value relates to the outcome you are helping customers achieve so it varies by category (e.g. ensure we have enough food in the house to eat for the week versus have an outfit that will make me feel great when I go out this weekend). Differentiating value reflects how you help customers achieve their desired outcome – the type of experience you design (e.g. focused on convenience or creating a sense of prestige) – in which there is a lot of commonality across different sectors.

The sources of differentiating value are explained using the value palette, a means of reflecting the creative challenge of combining the different components into a differentiated whole. The chapter goes on to show how the different sources of value can be mapped as a way of understanding how different businesses in your category are competing, with this approach illustrated using publicly available data on UK supermarkets.

While the supermarket example highlights the applicability of the approach, it also highlights some of the challenges you may face when applying it to your business. So the final section provides some tips to keep in mind when you look to embody your value proposition and brand promise into journey mapping and orchestration, which is covered in chapter 8.

Core value and differentiating value

How you create value for customers can be split into two parts. Firstly there is the outcome you help them achieve – the core value you are creating. Secondly there is the differentiating value – how you help them complete the outcome's component jobs-to-be-done differently to your competitors.

If we take the desired outcome of having enough food in the house to feed your household for the next week, this requires various jobs to be completed. In the case of shopping in a supermarket (rather than online) the jobs include – making a shopping list, deciding where to shop, travelling to the supermarket,

finding items on the shopping list, identifying alternatives for products that are out of stock; going to checkout and paying; then travelling home and putting away the items purchased. Supermarkets don't help with all these jobs, just the core shopping ones, but one way to differentiate would be to help customers complete more of them to make the customers life easier.

This brings us on to how businesses differentiate their services.

Creating differentiating value

So how can businesses create differentiating value?

Many years ago I collated a long list of benefits that businesses could offer in conjunction with the core value they delivered. Then by asking one of the most powerful questions that marketers can ask – what is the benefit of the benefit? – I abstracted the benefits into higher level groupings.

Over time the number has increased. At inception there were seven. In an article I wrote for the Harvard Business Review website in 2011[143] there were eight. And in the latest version there are nine – Quality, Choice, Convenience and Responsiveness (the functional components); Feel-Good and Trustworthiness (the emotional dimensions); Savings, Risk reduction and Productivity gains (the financial elements).

Differentiating your value proposition is a design challenge. Designers, whatever their field, have a fixed set of elements which they need to combine and trade-off. Product designers need to consider shape, colour, texture, material, pattern, ornament and cost. Similarly, interior designers must work with space, light, colour, pattern, texture, focal point and cost. The aim with creating the categories outlined above and described in more detail below was for them to be the equivalent for value proposition designers.

The Value Palette

One way of reflecting the creative challenge of combining these elements is depicting them as colours on a painter's palette, with shades depicting the different ways they can be delivered (see Figure 12 below).

[143] Drop Innovation from Your Vocabulary, Jack Springman, HBR website, 15 September 2011

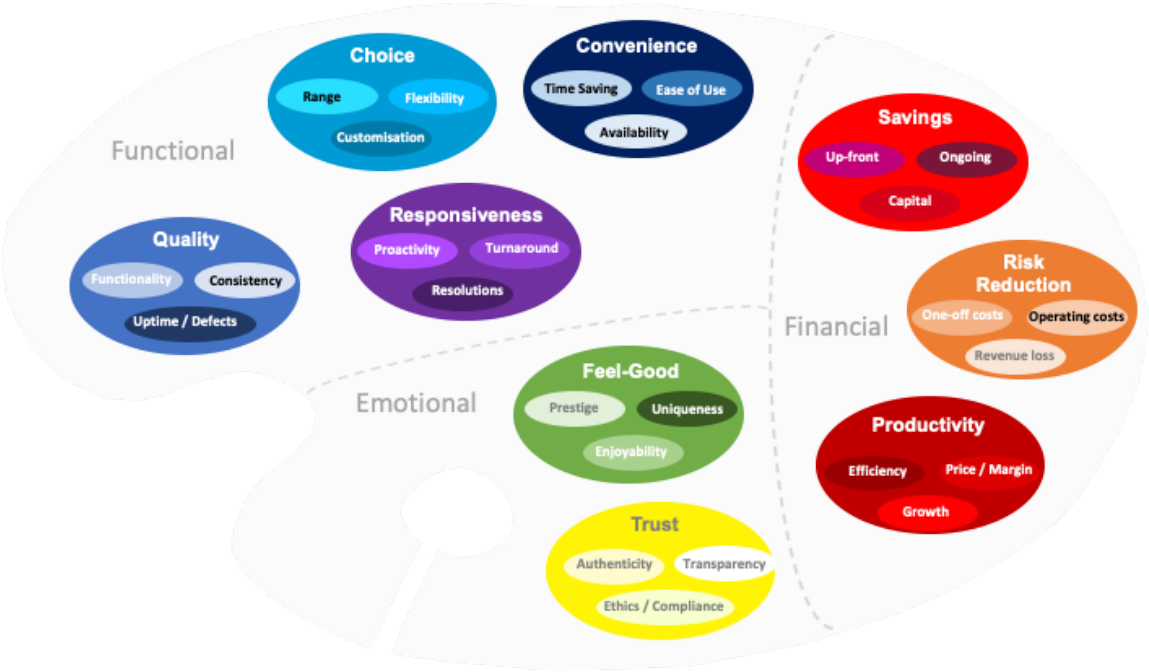

Figure 12: The Value Palette

The value sources are often interrelated rather than mutually exclusive – particularly across the groupings of functional, emotional and financial. High functional value typically delivers productivity gains, reducing the need to offer savings through low pricing. Functional value in the form of high quality and excellence also increases trustworthiness, again with implications for pricing and financial value.

Functional Value Sources

Quality

Quality has multiple sub-elements to it. Firstly there is the breadth and depth of functionality that the product or service delivers. The broader the functionality, the more jobs the product enables the customer to complete – the Swiss Army knife being a classic example. The deeper the functionality a service provides, the better it enables a specific job to be completed, for example a specialist laser measurement tool providing greater precision than its alternatives.

In addition to the functionality dimension, there are also the classic dimensions of total quality management – low defect rates, low service downtime and low variability in performance across products of the same type.

Choice

Choice enables customers to get exactly what they want. It is delivered through providing a wide range and variety of options, service flexibility (as with pay-as-you-go car insurance and policies where customers can swap in and out what is covered) and scalability (enabling customer to scale up and down usage with their needs, as with cloud services), service customisation (such as Nike trainers) and personalisation (bespoke tailoring being the best example).

Convenience

Convenience delivers savings in both the time spent by the customer when completing a job and the effort involved, both physical and cognitive. It is delivered by making products and services simple and easy to use with high availability in terms of both where and when they can be used.

Responsiveness

Responsiveness also delivers time savings to customer, but in how much time they must wait rather than in how much time they must spend – so savings in elapsed time rather than duration. Responsiveness is enabled by fast turnaround times for quotes, order processing, delivery and issue resolution. The pinnacle of responsiveness is proactive service, where the provider recognises a need or a problem before the customer does and contacts them with a proposal, as opposed to the norm of reactive service where the business waits for the customer to get in contact.

Emotional Value Sources

Feel-Good

Emotional value stems from how the product or service makes the customer feel. It is often a function of one of the functional value sources. For example, the benefit of a bespoke suit isn't just that it fits well, it also makes the customer feel good. Feel-good is associated with excellence and prestige (luxury marque cars being a prime example), also uniqueness or scarcity (often due to high price). At a simpler level it may stem from making the service enjoyable and entertaining (for example, using gamification) or from simply making the service more comfortable, for example wider seats and more leg room in premium economy airline services.

Trustworthiness

Trustworthiness reduces the risk of customers feeling bad about a purchase – easing stress and worry. There are multiple sources of trustworthiness – acting authentically (in line with stated values) consistently meeting promises (doing what the company says it will do), looking after customers by keeping them safe and secure, also being transparent and providing customers with control where possible (for example regarding use of their data). Finally there is an ethical dimensions to trustworthiness – going above and beyond the baseline required by legislation in areas such as environmental impact, data privacy, and health and safety.

Financial Value Sources

Savings

Savings are delivered through offering a basic service and selling at a lower price than competitors – easyJet and Ryanair being examples in the airline industry. These savings can either be in up-front or ongoing costs or both.

Capital cost savings are most prominent in B2B markets. One long standing example from the automotive industry is suppliers providing just-in-time delivery services to the vehicle manufacturers, reducing the amount of money their OEM customers have tied up in working capital.

Another example is servitisation, where normally expensive equipment is provided as a service and paid for on a usage basis rather than being sold with a high up-front cost, one example being pay per copy printing services provided by Xerox and others.

Risk Reduction

Reducing risk to the customer is another way to create value. Risk in this context is the potential for a cost in the future – for example, having to replace a printer because it has gone wrong – or a loss of earnings.

One example of reducing risk related to a purchase is offering an extended period during which the customer can return or exchange it. For example, if you purchase a dishwasher or washing machine from John Lewis in the UK, you have two years to exchange the item in the event of it going wrong rather than the usual one.

Productivity gains

Productivity gains stem from delivering savings on other costs rather than via the price of the product or service itself. These efficiency improvements are particularly relevant in B2B markets where there is significant scope for services to enhance productivity through reducing staff costs (fewer interventions, lower downtime and less re-work), lowering raw material costs (through reducing waste) and decreasing overheads (smaller space requirements). But they are also applicable in B2C markets, for example reducing automotive maintenance costs through using a higher quality engine oil.

There is also a growth enablement element to productivity. Again this is most applicable in B2B sectors with suppliers helping their customers to sell higher volumes or to sell at higher prices and margins. A great example of this is Intel, who for many years contributed funds to PC brands to support their advertising if they included 'Intel Inside' in the advertisement. The increased advertising expenditure helped grow the PC market, increasing volumes to the benefit of both parties while also helping Intel and its PC making customers achieve a premium positioning in customers eyes in a mutually beneficial way.

Mapping Differential Value

While the palette representation encourages the creative use of this framework – for example in the case of a start-up seeking to create a new category of service – it is less helpful for deconstructing differential value in an existing market. This limitation can be overcome by using a more linear representation, particularly if it incorporates the concept of value mapping, as described by W. Chan Kim and Renee Mauborgne in their 2004 article on Value Innovation[144]. This involves measuring performance on each of the dimensions (see figure 13 below for an illustrative example) so that the value profile can be compared with competitors to identify areas of superiority, parity and inferiority (either by design or unintentional).

[144] Value Innovation: The Strategic Logic of High Growth, W. Chan Kim & Renée Mauborgne, HBR, July–August 2004

Figure 13: Illustrative Value Map of the Nine Differential Value Sources

Applying Approach to UK Supermarkets

When applying this to your industry, not all nine value sources will be relevant. The sub-levels will also be more industry-specific than the general ones outlined above.

Figure 14 below illustrates this with a more customised set of value sources (seven as opposed to nine) with specific sub-levels that are relevant for supermarkets. (Note this is for in-store shopping. If we were looking at online, then Convenience would incorporate ease of finding products in app or on web site rather than the items listed. Responsive would include delivery availability rather than staff availability. And Feel-Good would incorporate web site or app appearance rather than store appearance. But the other dimensions would be pretty much the same.)

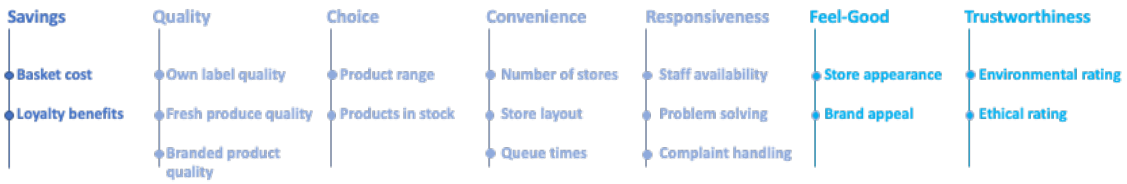

Figure 14: Supermarket Value Sources and Sub-Levels

Based on these value sources and their component elements, Figure 15 shows the performance of the leading UK supermarkets. (This is based on data collected for an article I wrote for MyCustomer in 2020, so is a little out of date, but it illustrates the key point.) As per the key, data is not publicly available for all sub-levels that ideally would be included. And where there are multiple sub-levels, a simple average has been used.

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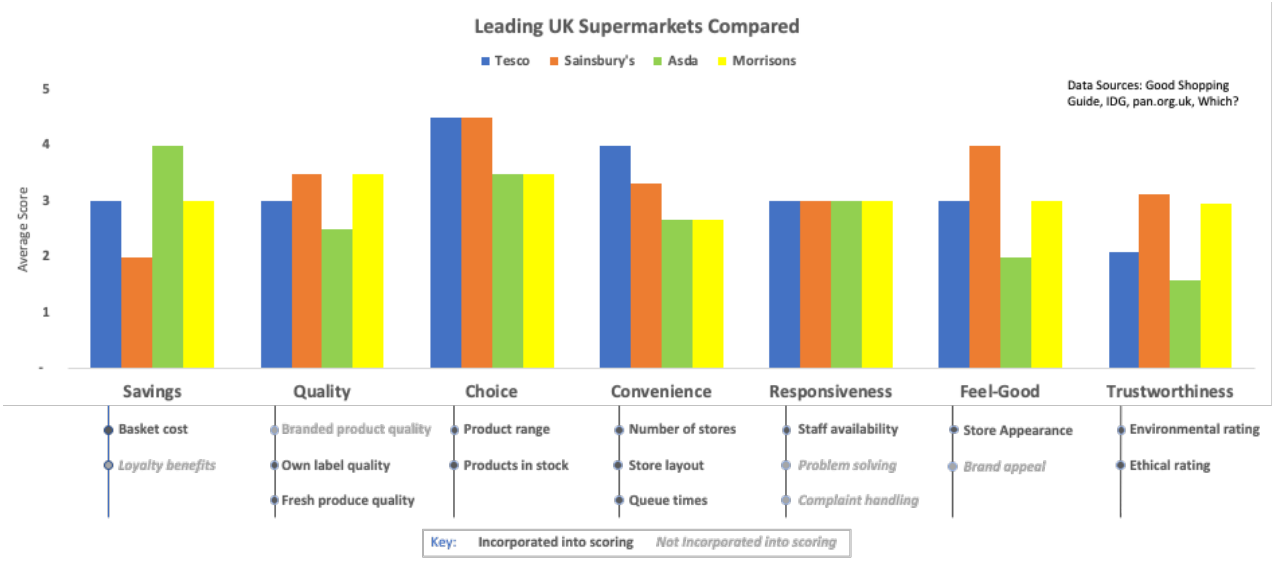

Figure 15: Leading UK Supermarket Comparison

The insights from this are striking. Tesco (the market leader with approximately double the market share of Sainsbury's and Asda) is joint leader in Choice and the outright leader in Convenience. The latter is due to its much larger number of stores – it has approximately 10% more supermarkets than Sainsbury's and four times as many Convenience stores. (While the difference in store footprint may not be the cause of Tesco's markedly stronger competitive position, it certainly helps sustain it.)

The graph also highlights the contrasting approaches of Asda and Sainsbury's. Asda is the leader in Savings but weakest on Quality, Feel-Good and Trustworthiness. Sainsbury's is the reverse – it is the joint leader in Choice and Quality, outright leader in Feel-Good and Trustworthiness but the weakest of the four leaders in Savings. Morrisons (the smallest of the major supermarket groups in market share) is rather stuck in the middle – parity in a couple of value sources but with no major points of distinction.

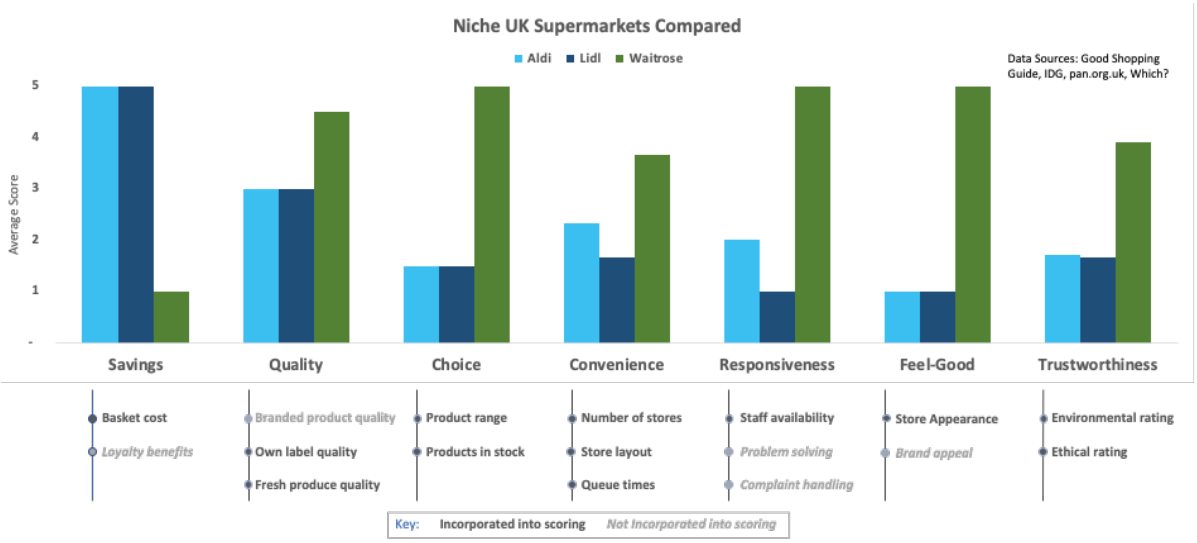

Figure 16: Niche UK Supermarket Comparison

The framework also serves to highlight the parallels and contrasts in the approaches of the niche players – Aldi, Lidl and Waitrose (each with market share in 5-8% region). These businesses characterise the high and low ends of the market. Aldi and Lidl are comparable on most dimensions and the contrast in their offerings with Waitrose is stark. Waitrose is at least 50% better on all dimensions except for Savings, where it scores 1 compared to 5 for the other two.

Applying the Differential Value Framework to Your Business

When applying this framework to analysing your business, it is worth keeping the following three points in mind.

Capture objective and perceptual data

The above analysis has been based on publicly available data and it is a mix of objective (e.g. number of stores) and subjective data (customer perceptions derived from research). When doing this for your business, ideally you would capture both objective and subjective for the same areas – for example number of stockouts and customer's perception of how often the products they are looking for are out of stock – and keep them separate rather than average them together. In this way you can understand both how well you are delivering value on a relative basis and how accurately the differences are perceived.

This is particularly critical for your primary source of differentiation. If customers perceive that you are only level with competitors on this dimension, this separation helps you understand whether your proposition is objectively better (or not) than the alternatives and how effectively its relative superiority is being communicated (i.e. if customers do not perceive your offering to be stronger, whether you have a product or service issue or an advertising and communications one).

Be prepared to dive deeper

All frameworks have benefits and drawbacks. A top-down framework like this one helps you shape and analyse your value proposition comprehensively, ensuring it is looked at from all angles. But aggregating and averaging to obtain a value source score (for example, for Choice or Convenience) risks blurring distinctions. The analysis above highlights differences between the supermarket groups, but it is only once you look at the number of stores (a sub-level of Convenience) that the difference in market share between Tesco and the other majors becomes readily explicable.

Make your differentiation a focus for your customer experience

As the above suggests, differentiation often arises at a sub-level. In The 22 Immutable Laws of Marketing by Al Ries and Jack Trout, Law 5 is the Law of Focus. This argues that the most powerful concept in marketing is owning a word in the customer's mind. Ries and Trout give a number of examples, one being Volvo owning the word 'safety' in the automotive industry, to which we could add Volkswagen traditionally owning the word 'reliability' (although this positioning was somewhat undermined by its falsification of reported emissions). Some businesses may be able to own a word such as Savings or Choice or Trustworthiness. But many will have to own a more granular element. (Taking the Volvo example, safety is sub-element of Trustworthiness, as is reliability.)

If you are in the fortunate position of owning a powerful word in your customers minds – or you are seeking to achieve that – then you need to make sure that it is reflected in everything you do. In the context of CX, it needs to be reinforced by the experience you provide and how you orchestrate the customers journey to their desired outcome. This will be explained further in Chapter 8.

6. Meeting financial objectives and creating a business case

This chapter outlines how you can use a value tree or customer lifetime analysis to create a business case for customer experience that will resonate with both the CEO and CFO of your business.

Strategy is about deploying the resources you have to achieve your desired goals. As resources are always limited, selecting goals requires clear prioritisation.

For CX strategy, goals are typically cast in terms of the four high level outcomes of customer acquisition, customer retention, customer growth and customer profitability. As described in the first section below, the weight attributed to each of these objectives varies over the course of a market lifecycle.

Ultimately these metrics need to be translated into revenue and costs, either to achieve targets established by the CEO or CFO, or to create a business case for investment. A value tree can be used to deconstruct high level revenue and profit targets into KPIs and their underlying operational metrics to illustrate how you intend to generate a return on the funds you are requesting for your CX initiatives.

An alternative way to prioritising objectives is to use customer lifecycle analysis to identify where the biggest financial opportunities lie. This has the further benefit of identifying which customers to prioritise for attention and ensure marketing expenditure is allocated to where it will be most effective. This is covered in the third section below.

At this point some CX professionals may be shaking their head and saying: 'this should be the responsibility of marketing, not customer experience'. But making that distinction only serves to separate the two sides of value creation – creating value for customers and creating value for the business – when the two need to be connected, not least in a integrated operating model. So the final part of the chapter looks at the role traditional CX activities play in achieving desired objectives and how these need to be complemented by monetisation activities such as propensity modelling, targeting and campaign management.

How priorities change across the market lifecycle

A profit target can be achieved in multiple ways – improving acquisition, reducing churn, improving the average number of products purchased by each customer, increasing the average product price and reducing costs to serve. Deciding which of these value levers (or combination of them) offers the best way to achieve the overall target requires a certain amount of analysis (covered in more detail in the next chapter). But there is one guiding principle that can help – where you are in the market lifecycle.

In the early stages of a market's development, acquiring customers should be the priority. During this period, growth is high with more and more potential customers becoming aware of what is on offer and recognising that it is valuable to them – for example, mobile phones during the 1990s and broadband during the 2000s. If it is possible to acquire 100 new customers every day, it is logical to make that the focus rather than trying to keep the five that might leave.

As the market matures, the ratio of potential new customers to potential lost customers starts to balance out. With fewer new customers entering the market, increasingly acquisition requires winning customers from other providers, leading to higher acquisition costs as persuading customers to switch typically requires an inducement. Due to the extra effort that customers need to expend when they switch, the per

customer cost of retention is usually lower than the equivalent cost of acquisition. As a result, in the next phase of the market lifecycle, retention becomes increasingly important.

Once the weaker providers have been weeded out and the market has consolidated, stealing customers from competitors becomes less and less profitable - inducements need to become bigger and bigger. Also existing customers use the deals on offer to new customers as a bargaining stick ('I have been a loyal customer for five years but I am getting a worse deal than a new customer.') So the more aggressively a business advertises discounts for first time buyers, the higher the percentage of existing customers will demand special deals, reducing average revenue per customer. (This is a trap that many of the UK quad-play – broadband, home phone, mobile and television – companies have fallen into.)

Once this is recognised, increasing the revenue captured from existing customers through cross-sell becomes increasingly important. For example, in the early 2000s, mobile phone providers balanced their focus on customer numbers with increasing prioritisation of Average Revenue per User (ARPU).

In the early stages this was limited to basic services such as texting and ringtones provided by the carriers themselves. But the opportunity was supercharged by the launch of the iPhone in 2007 which created a massive market for third-party apps. Any loss of income from the services the networks provided was more than matched by revenue sharing and the surge in usage of data services which could be sold on top of call minutes and text allowances.

In the final phase of a market's development, the focus switches from revenue to customer profitability. There are two sides to this – increasing gross margins and reducing costs to serve. The mobile phone industry is again a case in point with the network providers seeking to wrap 3rd party services – procured at a discount to what consumers would pay – around their core offerings and charge a premium. Similarly UK retail banks have packaged services such as travel insurance, mobile phone cover and breakdown assistance into current account offerings, for which they can charge an additional fee.

Not all providers have the capabilities, relationships or brand positioning to create and charge for premium offerings. Also not all customers can afford to buy them. Hence there is also a need to focus on reducing the costs of serving customers. Typically this requires extensive analysis to determine per channel costs of interactions and the value they bring (to both customer and business) so that low value interactions are migrated to lower cost channels or eliminated altogether.

Complicating the above picture is a situation where a business operates across multiple markets at different stages of their lifecycle. But in these businesses, the majority of revenues will be generated by offerings in larger, more mature markets. As such reducing cost to serve should be high on the priority list alongside cross-selling products or services.

Using a value tree to set objectives and create a business case

Strategic objectives are shaped by overall financial targets for the business as defined by the CEO and CFO. These establish what the strategy needs to deliver in terms of revenues and customer-facing costs – the Financial Outcomes outlined Figure 17 below.

How these Financial Outcomes are achieved is then determined by the CX Strategy Outcomes – customer acquisition, customer retention, customer growth and customer profitability.

Similarly the CX Strategy Outcomes are themselves a function of performance on underlying activity metrics. For example, increasing the rate of new customer acquisition means improving one – or a combination – of leads generated and leads converted, each of which have their own underlying drivers. In the case of leads generated these would include the number and types of campaigns run, campaign response rates and existing customer satisfaction. (Note: the examples below are general rather than specific, you will need to create your own tree based on the dynamics of your particular business.)

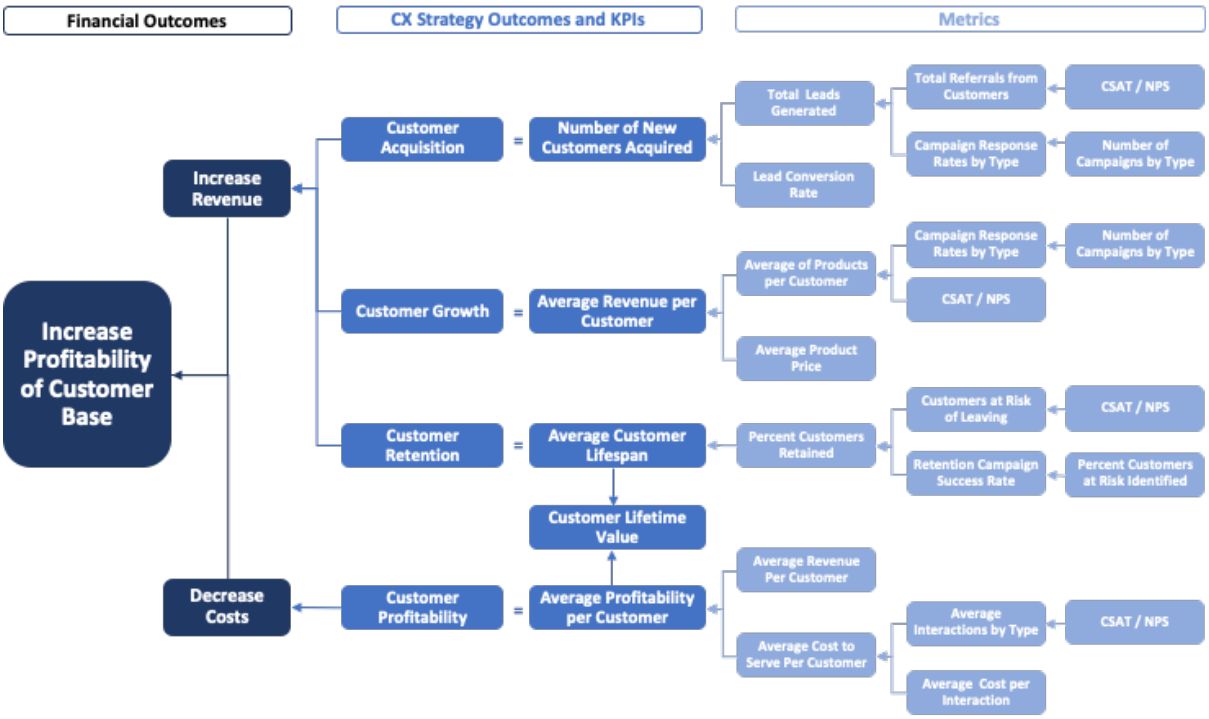

Figure 17: Value Tree Approach to Business Case Creation

So as well as helping you determine how the overall targets will be achieved across the CX Strategy Outcomes, a value tree helps identify where performance needs to be improved at a granular level – the level at which you can create improvement initiatives. And flowing these through enables a compelling business case to be made for investing in customer experience.

Using customer lifecycle analysis to determine priorities

On top of the journeys helping customers achieve their desired outcomes (covered in Chapter 8) there is another set of journeys to map – the ones designed to achieve your business's desired outcome. These are the journeys that take customers from where they are now to their maximum potential profitability – where they are as profitable to the business as they can possibly be.

Customer lifecycle analysis (CLA) identifies next best actions based on optimising customer lifetime value rather than immediate revenue uplift. A key part of the analysis is identifying what early signals will communicate whether the customer can be moved, whether an intervention is required and what type of intervention is most likely to be effective. So in addition to supporting cross-sell, it also helps with the optimisation of marketing spend by identifying which customers will likely deepen their relationship with the business without any intervention; which ones will likely do so with a relevant incentive; and which ones probably won't, no matter how much you market to them.

CLA can also help make the case for investment and identify where to focus. It involves segmenting target customers according to where they are in the lifecycle – prospects, acquired, activated, loyal, multi-product users, multi-brand users, etc. – and calculating the expected lifetime value of customers at each stage.

At an aggregate level, this exercise highlights the full potential of the existing customer base – how much enterprise value could be generated if all customers were transitioned to the most valuable category. While this value can never be fully realised, the scale of the opportunity makes a compelling case for prioritising customer experience over competing requests for funding.

At a disaggregated level, CLA helps with prioritisation. It identifies the financial opportunity from moving customers from one stage to the next (for example, from acquired to activated), based on the number of customers in each stage and the incremental value of doing so. As such it highlights on a relative basis which segment offers the greatest potential uplift. When this information is married with propensity analysis and estimated costs – based on similarity analysis with customers who have and haven't progressed to the next stage – it identifies which customer groups offer the best return on investment.

As a result, CLA can be an eye opener. The metrics a business prioritises can often create organisational blind spots and lead to under-investment in opportunities with high potential value. A company that is in the growth phase may be overly focused on acquisition and insufficiently focused on activation. CLA helps eradicate this type of blind spot by highlighting the potential uplift from activating customers that have registered but are not actively using the service.

Combining CX and marketing

Successfully achieving acquisition, retention, growth and profitability requires a combination of customer experience and monetisation capabilities. The responsibility for turning great experiences for customers into profits for the business typically resides with the marketing function in B2C businesses and the sales function in B2B businesses. In both cases, effective operating requires an integrated approach to creating value for customers to create value for the business.

A key element of creating a holistic operating model is being clear about the role that customer experience activities and monetisation activities each play.

There is no point in creating a great customer experience if that is not branded clearly and communicated to new prospects. The messaging and offer needs to be sufficiently compelling to encourage them to try what is on offer. Once an interested customer explores the product or service, responsibility swings back to the customer experience team to ensure that onboarding is efficient – using the service for the first time doesn't require a huge amount of effort and value is delivered quickly. If a newly acquired customers doesn't activate – however that is defined – there is a need for research to understand why that is the case and for the creation of campaigns to encourage usage.

When it comes to retention and growing the relationship through cross-selling other services, there is a similar split. The primary customer experience responsibility is to ensure the intended differentiation versus competition is retained and satisfaction with what is being provided is high. This needs to be complemented by identifying which customers are at risk of leaving and which ones have a high propensity to purchase other offerings and creating appropriate interventions to limit churn and increase the number of products purchased.

Improving gross margins requires those responsible for CX to create premium experiences that deliver exceptional value relative to what is provided by competitors. Monetising this requires determining the right pricing for these offerings, identifying the best prospects and branding them in a compelling way.

When it comes to reducing cost-to-serve, there is a need to ensure that the lower cost channels (typically the self-service ones) deliver value to customers by being convenient and easy to use. But a lower cost to serve will only be achieved if customers switch from using higher cost alternatives – this requires identifying which customers are most likely to switch and targeting them with compelling messages and inducements.

As the above examples highlight, the responsibilities for customer experience creation and for monetisation are distinct – and likely to be undertaken by different parts of the organisation. But integration of efforts and collaboration between the different teams are necessary for effective realisation of benefits. We will return to this in Chapter 9 which describes an approach to ensuring both sides of value creation are covered in capability definition.

Creating a business case

As the previous section highlights, creating a business case is likely to be a joint endeavour between the CX team and marketing.

The format of the business case will probably be business-dependent – finance teams usually have a clear set of templates that they like to have completed. But the underlying logic and rationale will be up to you to determine.

This chapter has provided two ways for you to build this logic – the value tree approach and customer lifetime analysis.

For most businesses, the former is likely to be more appropriate as it fits more neatly with annual budgeting and longer-term planning cycles. So this approach should be your starting point for translating the improvements you intend to deliver into operational metrics, then customer strategy outcomes and finally revenues and costs.

But as businesses become more focused on analytics, the latter approach will start to gain traction so it would be worth having a conversation with your analytics team to see whether the CLA approach to creating a business case might be something they would have the willingness and capacity to support.

PART 3: Analysis, design and execution

7. Analysis: Defining the questions and finding the answers

This section of the book reflects the Value Trinity – analysis to locate value, design to unlock value and execution to deliver value. This chapter covers analysis. It describes what the objectives of your analysis should be, the main sources of insight and how they map to the questions you need to answer.

The quality of any strategy depends on the quality of analysis underpinning it – what research is undertaken, what data is collected and what models are developed. Analysis is an iterative process and will continue during the design phase of work. (For example, customer journey mapping is both an analytical and design technique and while it is described in this chapter, it is covered in more detail in the chapter on design.)
But having a clear idea of what you are seeking to answer and how the different forms of insight help you answer the key questions is the starting point.

This chapter introduces the key questions that you need to answer for your CX strategy to be valuable. It also identifies how you can go about collecting the insights to enable you to answer them.

Analysis is one of those areas which is often underfunded and making a business case for spending more is hard. With that in mind, the chapter ends by introducing the concept of the marketing talk-listen ratio as a way of highlighting deficits in how much your organisation listens to customers.

Objectives of analysis phase

Broadly there are three objectives of the analysis phase:

1. Clarify the overall challenges the business is facing, the opportunities it has and the strategic objectives that are in place to overcome the challenges and unlock the opportunities.
2. Identify how improving the customer experience can support the business's strategic objectives in and use that to define a guiding policy for prioritising the customer experience initiatives to be addressed.
3. Define the customer experience challenges the business is facing and prioritise those which best fit the guiding policy.

As mentioned above (many times!), the customer experience you design needs to support the business's overall strategy and objective 1 seeks to identify what specifically you should be aiming to support.

Objective 2 relates to mapping how customer experience can support the business's strategic objectives – help overcome the challenges the business faces and make the most of its opportunities. This needs to be codified into what Richard Rumelt calls a guiding policy against which all potential initiatives are judged so they can be prioritised.

The third objective involves a detailed evaluation of the as-is customer experience and current commercial performance so that areas for attention can be identified and evaluated against the guiding policy.

Clarifying the challenges and opportunities the business is facing

As mentioned in chapter 3, it is not your responsibility to undertake the analysis underpinning your organisation's business strategy. Ideally it is clearly laid out in existing strategic documentation, but often

that is not the case. In such circumstances, it will need to be inferred, and that chapter lays out various questions – repeated below – to help you do this.

Participation

1. What markets, segments or customer types do we prioritise and why?
2. What markets, segments or customer types do we serve well and why? (May not be the same as above if the segments served well are declining or unprofitable.)
3. What new markets or segments are we trying to enter?
4. What markets, segments or customer types do each of our main competitors focus on and what is our best guess as to why?
5. What are the challenges we must overcome to maintain our position in existing markets? What gaps do we need to fill?
6. What are the challenges we must overcome to enter the new markets we have prioritised? What gaps do we need to fill

Competition

7. What makes us different to our competitors?
8. What do our customers say we do better than the competition?
9. How do our main competitors differentiate themselves?
10. What do customers say our competitors do better than us?
11. What is our desired positioning versus competitors?
12. What do we need to do to move from our current to our desired positioning?

Organisation

13. What organisational capabilities (e.g. supply chain management, manufacturing management, new product development, account management, etc) are the key enablers of our differentiation?
14. Which capabilities have we consciously decided to prioritise and de-prioritise?
15. What capabilities do our competitors prioritise?
16. What capability gaps do we need to fill to support our desired competitive positioning?

The end output of this should be the prioritised strategic objectives that the business has identified. This may seem an unnecessary step, but unless your CX strategy is grounded in business strategy it risks destroying rather than creating value. And the more you can show senior managers that what you are doing is a key enabler of major strategic initiatives, the more traction you will get.

Developing a guiding policy

There are two factors that should shape your guiding policy. Firstly the strategic objectives that the business has defined and secondly the brand promise – specifically how the business is seeking to differentiate (how this is communicated shapes customers' expectations). The latter was covered in some detail in Chapter 5 so the focus here is on how the business's strategic objectives influence CX strategy priorities.

For example, let's say that the business strategy analysis has identified that the market being served is mature and share is being lost to low price competitors. Consequently, customer retention has been selected as a strategic priority.

From a CX perspective, this means the focus for attention should be on existing customers' experience – re-ordering, usage, support, disposal, etc. Within this scope, the questions that need to be addressed as part of the CX strategy are: What are customers' expectations and how are they shaped by our brand promise?

What are the problem areas currently and what needs to be done to fix them? How can additional value (in line with brand promise) be created to help distinguish the business from low-price competitors? How can the additional value provided be regularly communicated to customers?

As a second example, let's take the case of a business in a growth market where acquisition is the focus. The analysis has identified that high volumes of new customers are signing up but only half are going on to use the service. Based on this, improving activation rates has been identified as a strategic priority.

This makes the onboarding element of the experience the key area for analysis. Why are some customers going on to use the service but not others? What are the blockers that new customers face when using the service for the first time? How can first usage be encouraged or incentivised?

As this section hopefully shows, the analysis you undertake should be specific rather than broad. However as every business will be different, the next section provides a general guide that you can use to help shape any analysis you need to undertake.

General questions and sources of insight for CX analysis

Once your analysis of the business strategy is complete, you can start on your CX analysis. Obviously the focus of your analysis will be business-specific, but in general terms you need to consider four factors – desirability, credibility, feasibility and viability. These are the four pillars on which any proposition or experience should be built. It needs to be attractive to customers, they need to believe you can deliver it, it must be possible for you to deliver it and it must also be profitable for you to do so.

With that in mind there are three high-level questions that you need to consider:

1. What do customers need/value and what will they buy from us?
2. How well are we serving customers and how can we serve them better?
3. How do we turn value created for customers into value created for the business?

The first question covers both desirability and credibility. Desirability relates to what creates value for customers and credibility to what problems customers believe your brand can help solve. (I have grouped them together here because they are answered by the same sources of insight.)

The second question relates to feasibility – what can be done to serve customers better than we are serving them today. The third question looks at viability – ensuring that there is a commercial return from what you are providing.

To answer these questions, there are three primary sources of insight:

1. Research and analysis – research undertaken into customers and competitors, also internal analyses to identify root causes of problems, improvement opportunities and risk areas
2. Performance reporting – covering how well value is being created for customers in objective terms (Customer Performance Indicators or CPIs), how that is perceived by customers (using CSAT and NPS) and then how that flows through to performance on the metrics that matter for the business (customer acquisition, retention, etc.)

3. Predictive analytics – creation of models to help optimise allocation of internal spend to where it is most effective, also to aid in predicting what customers want to achieve so they can be better served.

Figure 18 below maps the sources of insight to the key questions that need to be answered, with colour-coding to highlight the importance of each source in answering each question.

So for example predictive analytics is of limited importance to answering how well are we serving customers and how can we serve them better, but it is very important to answering how do we turn value created for customers into value created for the business.

Sources of Insight	Key Questions		
	What do customers need and value and what will they buy from us?	How well are we serving customers and how can we serve them better?	How do we turn value created for customers into value created for the business?
Research and Analysis	• Qualitative customer research – e.g. journey workshops, ethnography • Quantitative customer research – e.g. conjoint analysis • Customer segmentation • Competitor analysis	• CSAT / NPS surveys • Quantitative benchmarking surveys • Qualitative customer research – e.g. brand perceptions, service quality • Root cause analysis • Web / App analytics	• Value segmentation • Market and competitor analysis • Share of wallet analysis • Pricing analysis • Channel value analysis
Reporting		• Customer performance indicators (CPIs)	• Key performance indicators (KPIs) • KPI drivers / operating metrics
Predictive Analytics	• Customer journey analytics / next best action		• Propensity analyses - acquisition, cross-sell, retention, channel • Customer profitability and lifetime value analysis • Customer lifecycle analysis
	Importance to answering question		
	High	Medium	Low

Figure 18: Key Questions and Sources of Insight

The balance of the chapter takes each question and then explores how to combine different insight elements to be able to answer it.

What do customers need and value and what will they buy from us?

The most valuable insights into customers' needs comes from research and analysis.

Reporting's role is restricted to providing insights into how well existing offerings are meeting customer needs – for example through tracking utilisation (for example of connected devices) and uptake of advanced features and service wrappers. Equally it can help highlight credibility gaps. But it cannot identify latent needs and new sources of value. And the role of predictive analytics is limited to identifying what the customer wants to do next – their next job-to-be-done – so the company can make the most value-generating intervention.

Customer research comes in a variety of forms – qualitative or quantitative, prompted (e.g. questionnaire-based) or unprompted (e.g. contextual enquiry), group- or individual-focused, etc. All of these play a part, but the value each adds will vary with the question being asked.

When the objective is discovering customer needs and expectations, qualitative research gives participants the opportunity to explore, identify and reveal their priorities, with one example being customer journey

mapping. This requires identifying all the jobs that a customer (or a customer segment/persona) needs to complete to achieve their desired outcome, the decisions they need to take, and which jobs are most important (with a high level of emotion invested in the outcome, making them moments of truth). This map can then be used for identifying improvement areas.

Journey mapping can be undertaken in workshops with groups of customers where they layout the steps they go through and detail the challenges they face. Or it can be done using ethnographic techniques where a researcher observes a target customer complete a task in their home environment to see how they interact with existing services (including any workarounds they have created), asking questions to understand why they are behaving as they are if the reason is not immediately clear.

Both approaches generate valuable inputs but they are expensive, meaning only a small sample of customers can be interviewed, thereby increasing the risk that those taking part are not representative of the wider customer base. Further testing with a bigger sample is valuable once the insights have been transformed into concepts, at which point brand fit can also be assessed.

Quantitative techniques become valuable once potential propositions have been defined and the aim is to test how desirable they are to customers and how credible the brand is as a provider. A powerful research technique in this context is conjoint analysis[145] which asks participating customers to choose between different packages made up of the same attributes but different levels within those attributes. By forcing customers to make 20-30 different choices, with feedback incorporated so the trade-offs become harder and harder, the relative value of each attribute and each attribute level can be quantified.

Conjoint analysis has been used extensively for determining mobile phone offers and pricing (including my first experience with it over thirty years ago) as they incorporate a limited number of attributes – handset type and cost, service coverage and call quality, call minutes, data, up-front cost and monthly charge. In conjoint research, one offer may have the highest level for handset type, middle level for data and lowest level (as in highest cost) for monthly fee while the alternative has middle, lowest and highest levels respectively for the same attributes.

A key element of customer research is customer segmentation. This places customers into sub-groups or segments so they can be addressed more effectively. Segmentation can be attitudinal, demographic, needs-based (using conjoint analysis outputs for example) or behavioural.

The challenge with any segmentation is to make it both valuable and actionable. Demographic segmentation (e.g. based on age or sex) is highly actionable (assuming data is complete and accurate) but it is of limited value – the idea that all women in age range of 16-25 have the same set of needs is a massive over-generalisation. By contrast, research may identify groups with different attitudes for whom different messaging is appropriate. But allocating specific customers to these different groups is difficult, which makes it only actionable at the level of broadcast advertising. The same problem applies to segmentation derived from research into the different needs that different customers or groups have (e.g. using a conjoint analysis sample.)

Of all the segmentation techniques, behavioural is probably the most useful, being both valuable and actionable. Understanding what pages on the website a customer visits, the order in which they visit them, when they leave, what products or services they buy and what questions they ask of support teams helps

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[145] Conjoint analysis, conjoint types & how to use them, Qualtrics website

with understanding the needs and priorities of that specific customer. Commonalities across customers can be identified with a defined segment created. As it is based on individual customers, this type of segmentation is also highly actionable.

Competitor analysis also provides insights into what creates value for customers and the relative credibility of different providers. Tracking competitor offerings and monitoring each competitor's share of purchases or usage (if customers uses multiple providers) can be very revealing of customers' real (rather than stated) priorities.

In the context of understanding customer needs, predictive analytics helps organisations understand what customers want to achieve in online journeys so that the next best action can be suggested. Analysing journeys taken by previous customers (start and end points, routes taken, most frequent next step) enables you to predict with a strong degree of likelihood the customer's desired outcome so that they can be automatically guided to their desired conclusion.

How well are we serving customers and how can we serve them better?

Customer satisfaction (CSAT) and net promoter score (NPS) research play an important role in understanding how well a business is doing with customers. And their value increases when the results are incorporated into a causal reporting framework.

Understanding causation enables better understanding of impacts of spending in each area and it is the key to optimal resource allocation. Knowing what will happen, with a high degree of confidence, if we pull on Lever A versus Lever B is very powerful.

Causality is a hugely complex area, and a better understanding of it will likely be the next big breakthrough that data science brings.[146] What I am proposing below is merely a starting point – it should be seen as indicative rather than affirmative. But thinking about causation and developing hypotheses for how it works in your business will help to provide some structure to your reporting.

Causally-focused reporting links how well the business is serving customers in objectively measured terms using customer performance indicators or CPIs[147] to customers perceptions of the service provided (using CSAT and NPS) and operational performance metrics, then to how that translates into the behaviours that drive KPIs for customer growth, retention, acquisition and cost to serve.

Such an approach enables you to understand how improving performance on CPIs improves CSAT / NPS scores and the commercial metrics that matter most to business leaders. Without an understanding of causation, decisions on how to improve performance are limited to guesswork and gut instinct.

Figure 19 below provides a simplified illustration of a causation-focused reporting tree.

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[146] The Book of Why: The New Science of Cause and Effect, Judea Pearl, Penguin, 2019

[147] The Most Important Metrics You're Not Tracking (Yet), Gene Cornfield, HBR website, 30 April 2020

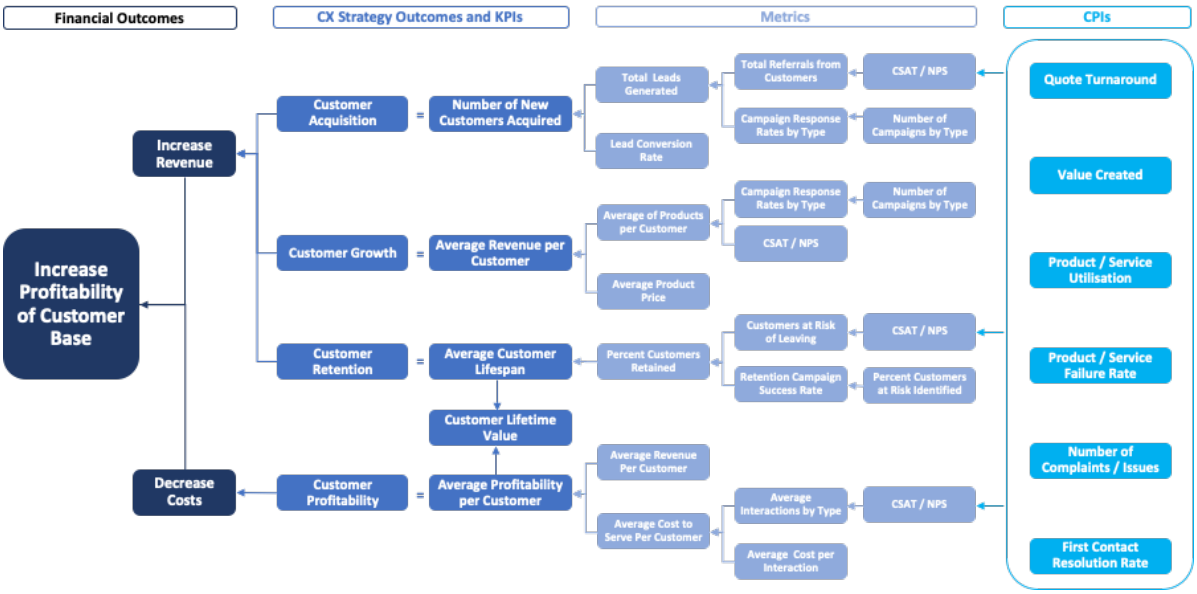

Figure 19: CX Strategy Causal Reporting Tree

On the left are the targeted financial outcomes – increasing revenue and decreasing costs. Feeding them are the primary CX strategy outcomes and KPIs, with the operational metrics that drive KPI performance to the right again.

In this simplified example, customer acquisition is driven by referrals from existing customers, the success of campaigns in generating leads and lead conversion. And for cost to serve, the key operating metrics are the number of interactions (by type per customer) and the average cost of each interaction type.

On the far right are the CPIs. These are the customer-facing equivalent of company-facing KPIs. KPIs track performance on creating value for the business, CPIs track how well you are creating value for customers.

The CPIs that are appropriate will depend on your value proposition – whether you are seeking to differentiate through delivering superior convenience, responsiveness, choice and flexibility, service quality, cost savings, risk reduction or simply lower prices. If the value created for customers can be measured in monetary terms, then this is a great measure. For example, the comparison service MoneySupermarket tracks the savings it delivers to each customer on insurance, loans, energy and TV/broadband renewals versus staying with their existing provider. In total these savings amounted to over £2 billion in 2018.[148]

Creating such a reporting system has two major requirements – the development of causal hypotheses (if we do A, then B will happen) by the CX team and the creation of a data architecture that enables customer-level data to be captured and stored. The former defines what should be measured and the assumed relationships between variables, the latter ensures that differences in treatment and resulting behaviours can be observed at a micro-level and aggregated as appropriate.

While reporting can answer the question 'how well are we doing with customers?' the second part – 'how can we do better?' requires research and analysis.

CSAT and NPS scores provide a temperature check on customers perceptions of the service they are receiving, but improving those scores requires more detailed analysis, particularly textual analysis of

[148] Moneysupermarket says it saved customers £2.1 billion last year, Hamish Burns, insider.co.uk, 14 February 2019

explanations of why those scores were given (alongside textual analysis of complaints, social media comments, etc.) Being rated 3 in NPS terms will trigger a desire to improve, but unless there is an understanding of the rationale for that score being given (online forms were confusing and difficult to complete, waited a long time to speak to someone in customer service, passed from one department to another, etc.) the ability to improve is limited to guesswork.

Similarly the volume of issues and complaints are indicative of service quality, but reducing the number of them requires root cause analysis – repeatedly asking 'Why?' something is happening a minimum of five times or until the root cause of the problem is revealed. Each 'why?' peels away a layer to reveal the underlying problem.[149]

Let's take an example of your company having a surge in the number of complaints from customers about the difficulty of completing an online form. At first glance this may look like a simple web site fix but asking why reveals that the form does not reflect the current product line, suggesting that form updates should be incorporated into product release processes. Asking why there is this disconnect reveals that the product development and service teams won't co-operate, and that they don't co-operate because they have conflicting performance management objectives, and that there is no linkage between their KPIs because the culture of the organisation is highly siloed. As the true problem emerges, the solution requirements evolve.

Improving customer journeys also requires going beyond the insights that reporting can provide. Two techniques for this are customer path analysis and customer journey reviews.

Customer path analysis uses customer data from the web site, CRM system and transaction processing systems (any data that can be linked at the customer level by a common identifier) to show journeys across different company touchpoints. It reveals the frequency of routes taken by customers – where they start and end, which result in a transaction or other positive outcome, which journeys are working well and where there are high drop-offs.

Customer path analysis is particularly useful for identifying incomplete journeys (where customers don't complete their mission) and duplicated effort which creates a poor experience for the customer and increases the cost to the business. For example, where a customer first went to the FAQ section of the website and then called the contact centre. In both cases the fixes are often readily apparent. An example of customer path analysis using Thunderhead One is shown in figure 20 below.

[149] Diagnosing Customer Service Problems with the Five Whys, Roy Barnes & Bob Kelleher, dummies website, 26 March 2016

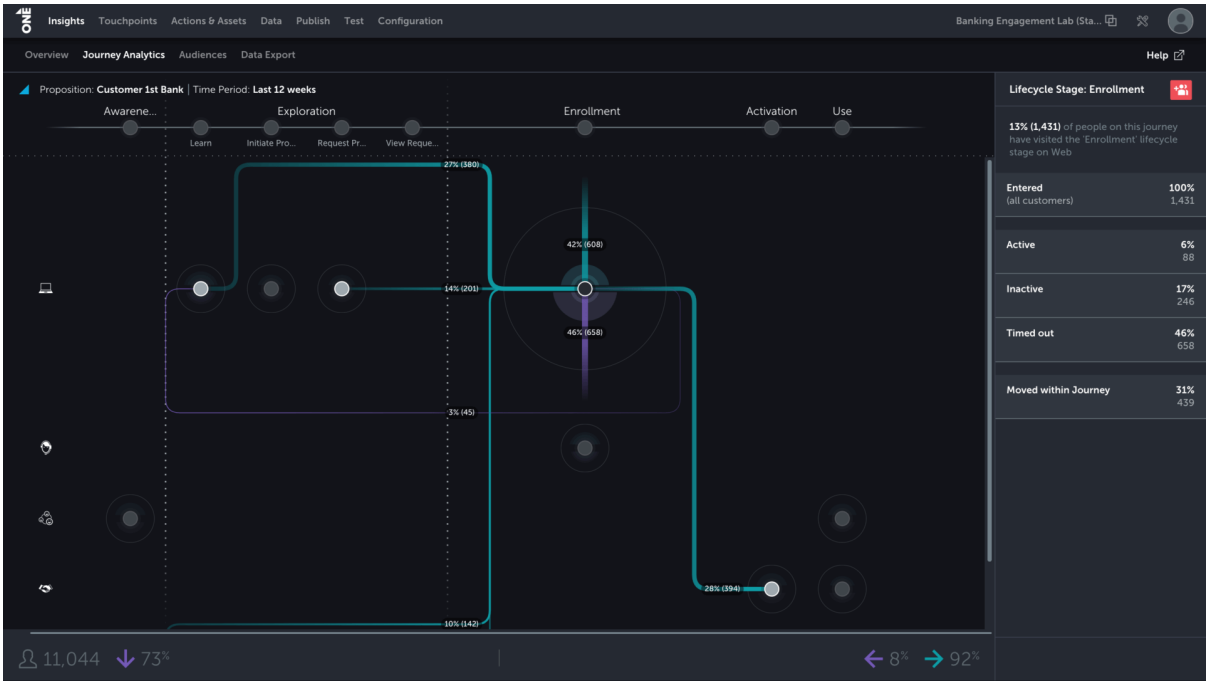

Figure 20: Customer path analysis using Thunderhead One

The journey map created as part of understanding customers wants and needs can also be used with research participants to capture the as-is experience. This looks at which customer jobs are currently painful (i.e. time-consuming, effortful or stressful) to complete, how decisions on what to do next are made, what is the prevailing emotion at each stage versus what the customer would like it to be and what steps create emotional extremes, with particular focus on how well the moments of truth are being addressed.

The primary focus of customer journey reviews is to find where you are falling short. But as they look beyond the scope of your service, customer journey reviews also identify where there are gaps in complementary services – gaps that you may need to help address to improve the overall customer experience.

How do we optimise value for the business?

As described above, reporting plays a key role in answering the question 'how do we optimise value for the business?' and it needs to be integrated with creating value for customers. As with improving the value created for customers, improving the value created for the business requires research and analysis to understand how performance can be improved.

Market and competitor analyses play a key role in prioritising customer strategy objectives. When markets are growing very fast, prioritising acquisition over retention, cross-sell and reducing cost to serve makes sense. When markets are more mature and competition has consolidated, acquisition becomes harder.

Competitor analysis identifies those with fewer resources and less compelling propositions so that acquisition activities can be focused on customers of these weaker competitors specifically rather than all competitors generally (the latter can quickly become a zero-sum game). Competitor analysis also plays a key role in mitigating churn – identifying which competitors are most likely to steal your customers so relative weaknesses in offering can be addressed.

Similarly share of wallet analysis identifies the opportunity to grow revenue with a particular customer. It is critical in B2B markets where customers source similar services from multiple providers but it is also relevant in B2C markets such as financial services and retail. Identifying how much customers are spending on services you can provide, how that expenditure breaks down and the share of expenditure that you and others have enables you to take a targeted approach to increasing both the average number of products each customer has and the revenue per customer.

Pricing analysis enables revenue yield optimisation – a key driver of profitability with the impact of price changes flowing quickly through to the bottom line. It ranges from simple analysis of prices charged to customers against volumes to check adherence to pricing corridors – particularly important in B2B markets where sales managers have some discretion over discounts offered – to more complicated analyses that look at price elasticity (something which conjoint analysis can also help with).

Channel value analysis plays an important role in helping reduce cost to serve. It calculates the cost of managing an event (e.g. inbound query, purchase) by channel (e.g. call centre, live or asynchronous chat; self-service, etc.) and matches that to the value added by handling that interaction in that channel (e.g. conversion rates, future cost avoidance). It enables you to identify where low value interactions are being handled in high-cost channels (also when and with whom) so that interventions can be designed to better balance value and cost.

Achieving channel shift also requires predictive analytics – calculating channel use propensity scores to identify which customers can be encouraged to use lower cost channels. Predictive analytics also directly impacts the KPIs of customer acquisition, retention and growth through identifying the most likely candidates to buy, defect or cross-purchase.

Customer value segmentation plays an important role in prioritisation of effort. One form of value segmentation is customer lifecycle analysis or CLA (mentioned in the previous chapter). This helps with cross-selling through identifying next best actions – which customers are most likely to deepen their relationship with the business without any intervention, which ones will deepen it if nudged and which ones will never deepen it, no matter how much you market to them.

CLA helps with the optimisation of marketing spend – ensuring that marketing dollars are spent where they will be most effective. Customer profitability analysis plays a similar role. Matching marketing spend to customer profitability – or potential customer lifetime value (which blends customer lifecycle analysis with customer profitability analysis) – ensures that decisions are made with business value in mind.

The benefits from this type of analysis are both significant and quickly realisable. At an online retailer I worked with, customer profitability analysis showed that they were rewarding customers whose behaviour made them intrinsically loss-making (for example, buying the same product in three sizes and returning two of them) by offering them loyalty discounts which made them even more unprofitable! Ceasing these inducements led to an almost immediate uplift in profits.

Defining the most valuable insights for you

The above sections have provided an overview of all the potential sources of insight that might be available to you. It is unlikely that all of them will be available or appropriate to your business specifically. But the reasons for describing them all are twofold.

Firstly to highlight that you should look beyond the usual suspects of NPS and voice of the customer research when developing your CX strategy. Your organisation's reporting may not be structured in a causal framework, but it will still have useful insights for you to incorporate. Similarly, your company's analytics and predictive modelling team will also be able to provide ideas for where value can be better created and extracted.

The second reason is that it will enable you to identify gaps that you would like to fill. And while filling these gaps will not help with the development of your current CX strategy, it will help with the development of future ones. Which leads us to how do you make the case for more investment in insight development.

Making the case for more investment in insight

It is likely that having pulled together all the insights that are readily available, there will be gaps. So how do you make the case for more investment?

This can be tricky. For example, if you are trying to switch some marketing budget from campaign spend to research, the returns that are lost from not executing that campaign are obvious, but the benefits of the research is less clear. It requires showing that research improves the returns on the other campaigns that you are running, improves retention rates and supports cross sell.

This has come to a head recently with the BBC receiving criticism from UK Members of Parliament and the UK Taxpayers' Alliance for wanting to spend £50m on research over the next four years. However the rationale for investing in insight development was supported in typically robust style by Mark Ritson in a LinkedIn post. Referring to those who cite the antipathy of Steve Jobs towards research and others who believe they know everything about what their customers want, Ritson states "these are the thoughts of the moronic majority (often your boss) who fail to see that 5% of any marketing budget should, must be invested into research. And that the remaining 95% will work much better, much harder than a mindless 100% spent on execution without insight." [150]

Another way to help make the case for more investment in insight development conceptually is to look at your organisation's talk-listen ratio.

The talk-listen ratio is a well-understood concept at the individual level but not at the corporate level. There is an old adage that we have two ears and one mouth and should behave accordingly – listening twice as much as we speak. (One communications expert I discussed this with went so far as to argue that we should adopt the rule lis-Ten - if we truly want to understand the person we are with, the talk-listen ratio should be 1:10.)

Why is listening so powerful? Being listened to makes us feel good – it tells us what we say is interesting and valuable. The confidence it creates leads us to reveal more about our ourselves, generating insights that the listener can file away for use in the future. It is no surprise then that both successful leaders (Bill Clinton being a notable example) and sales people are frequently described as great listeners.

But can we extend this from individuals to companies? The success of companies which have prioritized understanding customers' needs ahead of advertising – Zappos, for example – suggests that such a rule

[150] LinkedIn, 11 May 2022

also has validity in the corporate world. The more you listen to customers, the better you will serve them and the more they will sing your praises and do your marketing for you.

This raises the question, how do you calculate a corporate talk-listen ratio? The first step is to define what constitutes listening. In common with what has been described above, listening includes market research and analysis, marketing reporting and customer-focused predictive analytics. The talking element is usually fairly self-evident – the amount spent on campaigns and other forms of outbound communications.

The second question is what should the ratio be? The 1:2 (or 1:10) ratio appropriate with a single conversant is obviously not valid in a corporate context (unless the business just has one customer). Ritson advocates one of 19:1 and that is a reasonable starting point in mass B2C markets.

But the ratio should differ according to the number of customers a business has (or can have). The bigger the potential customer base, the more it can sample when listening – a benefit that does not play out when talking. As a result the ratio should differ by sector and business size. For example, a bank with millions of customers should have a higher ratio of talking to listening than a supplier of braking systems to automotive OEMs which may have less than twenty customers.

Is such a measure meaningless without any benchmarks to relate it to? I would say no. Computing the ratios of different companies and comparing those which score highly for listening with those that score less well would yield interesting insights. But its absence does not render an individual company's measurement invalid. Firstly it can be put in context by a trend over time – is the ratio declining or falling? Secondly the calculation itself is valuable, both to raise awareness of the value of listening and to encourage thought about what the appropriate balance should be.

There are a couple of simple ways of calculating this – looking at external costs and looking at staff numbers. The talk side of the cost calculation would include the costs of executing marketing campaigns across all external media (television, radio, out of home, social media, digital display, etc.), including any agency costs relating to media purchases and the creation of assets used in campaigns. This doesn't include the cost of campaigns executed through owned channels such as email, app or website, but we will pick that up in the second calculation.

The listening side of this calculation is the equivalent for any market research of marketing analysis that has been purchased from external parties. As above, this misses the listening related to reporting and predictive analytics.

These omissions are captured in the second method of calculation. This simply compares the number of staff (full-time and contract, but not agency staff) in talking functions with the number of staff in listening functions. Again talking includes the planning, creation and execution of marketing campaigns across paid media and owned channels. And listening includes all members of the research and insight team, those involved in creation and delivery of marketing reports, and all those involved in creating models to support better decision-making.

As highlighted on a number of occasions above, every business needs to create value for its customers as a precursor to extracting value from them, but too often the first part of this balancing act is forgotten due to the pressures of short-term business performance and the prioritisation of self-interest. The result is greater focus on what's in it for us than what is in it for customers, with this imbalance opening up

opportunities for competitors. The talk-listen ratio is a rough and ready way of measuring the relative emphasis being placed by customer-facing teams on value creation and extraction.

As individuals we communicate more effectively when we listen more. But most of us find listening hard, as anyone who has participated in an active listening exercise will confirm. And it is only when presented with incontrovertible evidence about our weaknesses in this regard that we can start the process of changing.

The same is true of businesses. If a business is to succeed, its marketing function needs to be as much the ears of the organization as the mouth. If you calculate a talk-listen ratio, it will probably come as a shock to many in senior roles. And if you have a clearly defined list of the additional listening that you would like to undertake as part of the development of your CX strategy, it may help swing the argument in your favour.

8. Design: creating an experience that supports your key differentiators

Design unlocks the value identified through your analysis. This chapter describes a popular design technique – customer journey mapping – what it is, the role it plays and how to avoid some of the pitfalls. It also describes an alternative – the mental models approach. The chapter ends by introducing customer journey orchestration and outlines a five-step guide on how to implement it.

Once your analysis is complete, the next stage is to incorporate the findings into the experience you are designing for customers. The experience should not be developed in isolation – it needs to align to your guiding policy as described in the previous chapter.

Chapter 5 looked at how to create value that differentiates you from your competitors. You need to embody what makes you different into all aspects of the experience you are delivering to customers. Your design should support this – it is the crucial link between value creation for customers in theory to the delivery of that value in practice. Equally your design needs to help the business overcome the challenges it faces, make the most of its opportunities and support its overall strategic objectives.

Both differentiation and strategic objectives should be encapsulated in your guiding policy which is there to help you whittle down all the actions you could take into a prioritised list of initiatives.

So how do you go about the design process? There are a couple of tools available to you – journey mapping, Indi Young's mental models approach.

Journey mapping has been the hottest topic in customer experience for the last few years. But with all the attention, the risk is that it can be seen as an end rather than a means. Journey mapping is a useful tool, but a tool is all it is. And like any tool it has its strengths and weaknesses.

The mental models approach has a much looser ordering than journey mapping. Rather than trying to envisage what customers want as a single journey, it looks at all the tasks they need to complete. These are grouped into categories which are ordered, but there isn't as strong a sequential flow as there is with journey mapping. The approach also maps what the business is currently doing to support these tasks and what else could be done. This enables the identification of a full range of options from which a selection can be made.

Journey orchestration is the final piece in the design puzzle. It is the enabler – translating the desired experience into the interventions and interactions required to deliver it.

Customer journey mapping

Customer journey maps seek to present a timeline of what the customer is doing, thinking, and feeling as they progress from first identifying a need to the end goal of achieving their desired outcome.

Creating a journey map involves customer research to identify all the jobs they need to complete to deliver a desired outcome. It also looks at how they complete those jobs currently, the emotions they feel at each stage, the pain points they experience and what would make their completion of the journey easier. This is then reflected in a map that shows the as-is situation, over which is laid the desired to-be journey – one which delivers a superior customer experience.

The objective of journey mapping is to drive action – identify where the current journey can be improved and make interventions to deliver the desired experience.

Seven journey mapping traps to avoid

When done well, journey mapping is a powerful tool for creating a great customer experience. Unfortunately it is easy to do badly and there are a number of traps that you need to avoid.

Trap 1: Ignoring brand promise and strategic context

Brand promise should be a foundation stone for journey mapping. It encapsulates the value proposition and how the business differentiates itself versus competition. But frequently it is ignored. (Jeff Sheehan, author of the Customer Experience Field Manual, once told me that he was laughed at for suggesting that they bring the brand team into a customer journey mapping workshop.)

As pointed out in Chapter 5, the most powerful marketing advantage a brand can have is owning a word in the customers mind – Volvo owning the word safety in the automotive industry, for example. As well as being communicated in advertising, that word needs to be reinforced at every interaction with the product and across every service touchpoint, both physical and digital. As Thierry Zamora, former CMO of many businesses in the Bay Area of San Francisco, put it in a conversation we had in 2021, "brands used to be built through messaging, now they are built through interactions."

For example, Volvo cars are engineered to scream 'we are focused on your safety' at their occupants. But if Volvo was to give the impression on its web site of being casual with customer data, or not that bothered about health and safety in its show rooms, its brand positioning would be undermined.

The brand promise should be reflected in two ways. Firstly in how you help customers with all the standard jobs (the ones that you and your competitors currently address) – how you help them complete these jobs in a way that delivers convenience, confidence, security, speed or whatever word you wish to own.

Secondly it should be echoed in the selection of additional jobs you help customers with – ones that at the moment neither you nor your competitors support. One example of the latter is the specification tools that building products providers like Pilkington and Armitage Shanks provide (as described in Chapter 4) – something that not all their competitors do.

These firms recognise that architects, engineers and construction firms need to define what materials – the type of safety glass required for that particular job, for example – they will use when pricing a contract for clients. While these building customers know their requirements, translating them into the most cost-effective product is a job that they also need to complete. So providing them with an online specification tool enables them to easily define what they need, price the job and submit an order.

Similarly the organisations strategic context should highlight which parts of the experience should be the priority for focus – which will best help the achievement of the organisations strategic objectives. As highlighted in the previous chapter, both strategic objectives and key differentiators (which should be defined in brand promise) should be captured in the guiding policy you use to define priorities.

Trap 2: Misunderstanding what creates value

There is an adage, attributed to President Dwight Eisenhower, that "plans are worthless, but planning is everything". The same can be said for journey mapping – what you produce is of limited value but the process you go through to create it is very valuable.

Different customers (even those that conform to a specific persona type) will choose different paths. Creating a map with a single path is a huge simplification – it is an indication rather than an expression of truth.

Any model is of course a simplification – the art is to create one that delivers insight and enables a valuable solution to be designed. And if you create a map that details a single target journey, which leads you to engineer rigidity into your customer experience platform, you risk degrading the experience rather than improving it. Hence you are far better off setting yourself up to help customers with their jobs in whatever order that they wish to undertake them and recognising the reality that customers will take multiple routes.

In this respect, beautifully crafted maps can be misleading – their polish creates an impression of great confidence – more confidence than is appropriate. Far more valuable than the map you produce is the process you go through to create it – undertaking research, looking at the experience from the perspective of different customer types and working together as a multi-functional team. This is hugely helpful for grounding what you produce in an outside-in rather than inside-out perspective.

So before you put a lot of effort into fashioning your outputs, it is worth reflecting on the idea that a rough and ready map is far more honest than a highly stylised one.

Trap 3: Creating a complicated map that is hard to operationalise

One of the downsides of journey mapping becoming so popular is that maps have become an end rather than a means – consultancies selling journey mapping as a standalone service, for example. When the map is the deliverable – rather than an improved customer experience – there is an incentive to create a map that is attractive, clever and complex. As highlighted above, maps of this type are likely to be misleading. But there is an additional problem, the more complex a map is – the more layers it has – the harder it is to operationalise.

One example of increasing complexity is seeking to incorporate behavioural heuristics into journey mapping – something that Colin Shaw has talked about extensively in his Beyond Philosophy podcasts. Over and above the challenge in operationalisation, this raises a number of questions. Does your organisation understand enough about customer psychology to do this effectively? Do you believe that the generalised heuristics apply to all customers and that they will respond to nudges in the same way? Is there a risk that customers spot what you are doing and feel manipulated? Have you considered the ethical questions this raises?

Another example is adding layers covering emotional and cognitive factors. Now clearly it is helpful to understand what customers are thinking and feeling while they are interacting and transacting, particularly at moments of truth – interactions which are highly influential in shaping the customers perception of the business. But two questions arise.

Firstly, how are you going to monitor what customers are thinking and feeling on an ongoing basis? Secondly, how are different interventions and messaging going to be tested to determine their impacts on these two dimensions? Because if you are not going to do either of these two things, including customers' cognitive and emotional states in your map based on a one-off research study with a small sample of customers is going to be of limited value.

If you are not operationalising regular collection of data on customers' thoughts and feelings, and then using them to improve the experience you provide, why incorporate them in the first place? The question to ask yourself is 'are we including these elements to make the map look good or because they are integral to continually improving the experience going forward?'

If the latter, then great. But if you can't operationalise it, don't include it. As mentioned above, the aim of journey mapping should be to drive action. Adding complexity may make the map look better – create an illusion of it being more value-adding – but the reality will be the opposite.

Trap 4: Focusing solely on customers' interactions with you

How the customer interacts with your brand is clearly the starting point for understanding the current state of the experience you are delivering. There is typically a wealth of internal information available for identifying problem areas, performing root cause analysis and delivering quick wins.

But the customer journey is more than that. It is, after all, the customer's journey that you are looking to understand, support and influence. This is more than their usage of your products and services and their interactions with your touchpoints (and certainly more than an external representation of your internal processes).

A good analogy for a customer's end-to-end journey is a story. The script-writing guru, Robert McKee (whose former students include over 60 Academy Award and 200 Emmy Award winners) argues that all great film stories start with an inciting incident – an event that radically upsets the balance of forces in the protagonist's life. He or she then spends the rest of the story attempting to return their life to equilibrium, something finally achieved at the resolution stage in the script.

A customer journey is the same – for example, you go to the fridge and realise that you don't have enough food to feed the family. That triggers feelings of stress that won't go away until you have completed a supermarket shop. (Hopefully without the intervening script stages of Progressive Complications, Crisis and Climax that make a compelling story but an emotionally draining customer experience!)

Ultimately you can only understand this end-to-end journey by incorporating the voice of the customers into the journey mapping process – either undertaking some ethnographical research in advance with the findings available to those in the mapping workshop or by having customers in the mapping workshop itself or both. And having both ensures that there is both structure to the inputs and real-time clarification if questions arise.

While there will be the potential to improve the experience within the scope of what you are already providing, many opportunities (or risks if your competitors pre-empt you) lie in the lifecycle stages before or after customers typically contact you. It is the customer's journey to their desired outcome – including the journey trigger, the component jobs customers need to complete and the potential intervention points – that you need to include in your journey's scope, not just the customer's current journey with you.

Far better than basing your journey map on customers interactions with you is to root it in the desired customer outcomes that you help support, with the component steps in journey being the jobs-to-be-done that customers need to complete to achieve those outcomes.

Trap 5: Just mapping the future state

Articles on journey mapping often feature an end-state map but with no map that shows the truth about today – warts and all. Improving the customer experience requires both.

To drive effective action, you need to understand the gaps between where you are currently and where you want to be in the future – what problems you want to fix and what differentiators you want to accentuate. It is those gaps that define the new interventions you need to make, the new messaging you need to create and the new capabilities you need to develop.

Unless the differences between the as-is and to-be states are clear, your ability to drive change is limited.

Trap 6: Creating a one-size-fits-all map

A further trap is creating a single map that doesn't reflect different customer segments. Different customer segments – as defined by the different jobs customers need to complete rather than demographic or attitudinal factors – require different journey maps.

Take mortgages for example, when it comes to someone with a poor credit rating, the provider will be more cautious in their decision making. As a result, lower rated applicants will have to jump through more hoops to prove they can afford to make repayments than those with good credit ratings. The bank will also be more cautious in their decision-making.

It is common practice to develop personas as a means of defining different journeys that customers will take. This may help to bring the person alive, but unless they fundamentally have a different set of jobs that they need to complete, you risk creating the illusion of diversity (for example, regarding channel choice) rather than really understanding the different needs of different groups and how you can best support them.

An alternative approach to journey mapping: Using mental models

As highlighted above, one of the weaknesses of journey mapping is the implicit assumption that there is one route that the customer or persona takes to achieve their desired outcome when there are myriad paths that customers choose to follow. A further weakness is that it encourages jumping to an end state rather than the identification of options which are then evaluated against each other before the final selection of prioritised initiatives.

A journey is not the external expression of an internal process. With processes there is an ideal order in which activities are completed to ensure efficiency and effectiveness. Customers cannot be corralled so easily and to do so risks them going elsewhere.

An alternative research technique to journey mapping that helps avoids the single journey issue is Indi Young's mental models approach. This groups customer problems that your solution needs to address into broad stages rather than identify a specific order in which they need to be addressed.

Young's mental model diagrams look at both the problem space and the solutions in place. Below is a detail from a mental model diagram produced by the Google Analytics team. The complete model covered four 'mental spaces': understand my visitors; analyse incoming traffic sources; evaluate site and content performance (or, how well the content meets visitors' needs); and communicate the findings (internally). Figure 21 below focuses on the last of these, the communicate findings space.

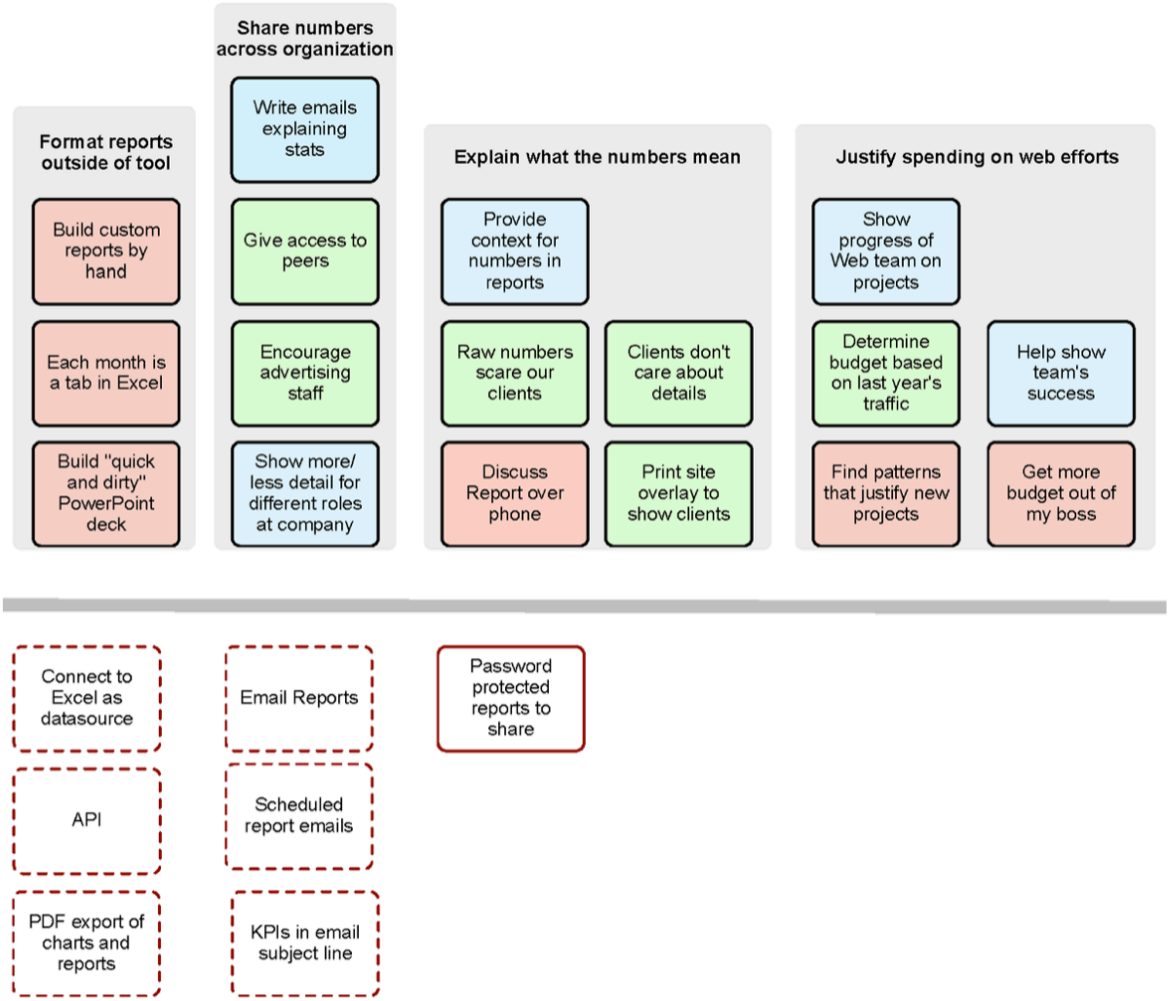

Figure 21: Extract from Google Analytics mental model diagram – communicate findings (source: Indi Young)

The above the line area represent the problem space – the needs of those using Google Analytics to tell other people in their organisation about the insights they have gained. These equate to the jobs that customers need to complete.[151]

Below the line is the solution space – the features required to meet those needs. Those with a complete line being those that are already in place while those with dotted lines are features that are yet to be delivered.

[151] Combining-mental-model-diagrams-and-jobs-to-be-done, Jim Kalbach, Experiencing Information, 11 December 2016

Creating these mental models entails much of the same as creating traditional journey maps – customer research to identify the jobs they need to complete, internal reviews to define what capabilities are in place and brainstorming to pinpoint what additional capabilities could be added.

There are a number of advantages to this approach.

Firstly is it doesn't encourage thinking in terms of fixed sequences. By thinking of customer jobs as standalone needs, you can develop the capabilities to address them without tying yourself into an order that may or may not work for customers. This will encourage a more flexible design that will not coral customers into a fixed way of doing things.

Secondly the maps are much more rough and ready – they are not the things of beauty that designers are tempted to create with journey maps. As such they are more honest.

Thirdly they ensure that the problem space (customer perspective) and solution space (company perspective) are considered in parallel. With journey maps the latter is often an afterthought.

Fourthly they ensure that a full set of solution options are identified. This enables careful evaluation of each one against the guiding policy so priorities are established. (These priorities may be modified once feasibility and viability are incorporated into the evaluation process.) The identification of options and selection from these options is a key part of design thinking that journey mapping can gloss over.

Breaking down customer jobs into information, decision and activity jobs

The above sections describe a couple of tools that you can use when designing the experience you wish to deliver. They also highlight what you should avoid and thereby some rules you should follow. Both are founded in jobs-to-be-done thinking. But rather than think of customer jobs as a single category, it helps to break them down into different types. While this may seem to be adding complexity, different customer jobs require different business solutions to support their completion – it is a categorisation driven by a focus on operationalisation rather than one that ignores it.

There are three broad types of customer job. Firstly there are information gathering jobs where customers collect information (or ransack their memory) to help them make a decision. Secondly there are decision jobs where the customer decides what action to take. Thirdly there are activity jobs where the customer has to do something.

The importance of decision jobs should not be understated. What drives a film script from Inciting Incident to progressive complications and beyond are the decisions that the protagonist makes. It is the same with customer journeys – they are fuelled by decisions, most notably at each point when the customer decides whether to continue the journey with your brand or not.

A simplified example can be seen in the figure below. This builds on the supermarket analysis in the previous chapter on value proposition creation. Also the experience outlined is also one that everyone can relate to.

As with any journey, there is an event – for example, finding nothing to eat in the house – which triggers a variety of customer jobs designed to achieve the outcome of being able to feed yourself for the next few days.

The journey has been split into three phases – pre-shop, shop and post-shop. And the component customer jobs have been colour coded to reflect the different nature of the task – dark blue for an information collation job (for example, assessing what food you have in the house currently, seeing what delivery slots are available), mid-blue for an activity (finding items from the shopping list, waiting at home for delivery driver) and light blue for a decision task (deciding on a meal plan for the week, creating a shopping list, etc.).

In the example shown in Figure 22, roughly half the customer jobs are decision tasks with another quarter relating to gathering information so a decision can be made.

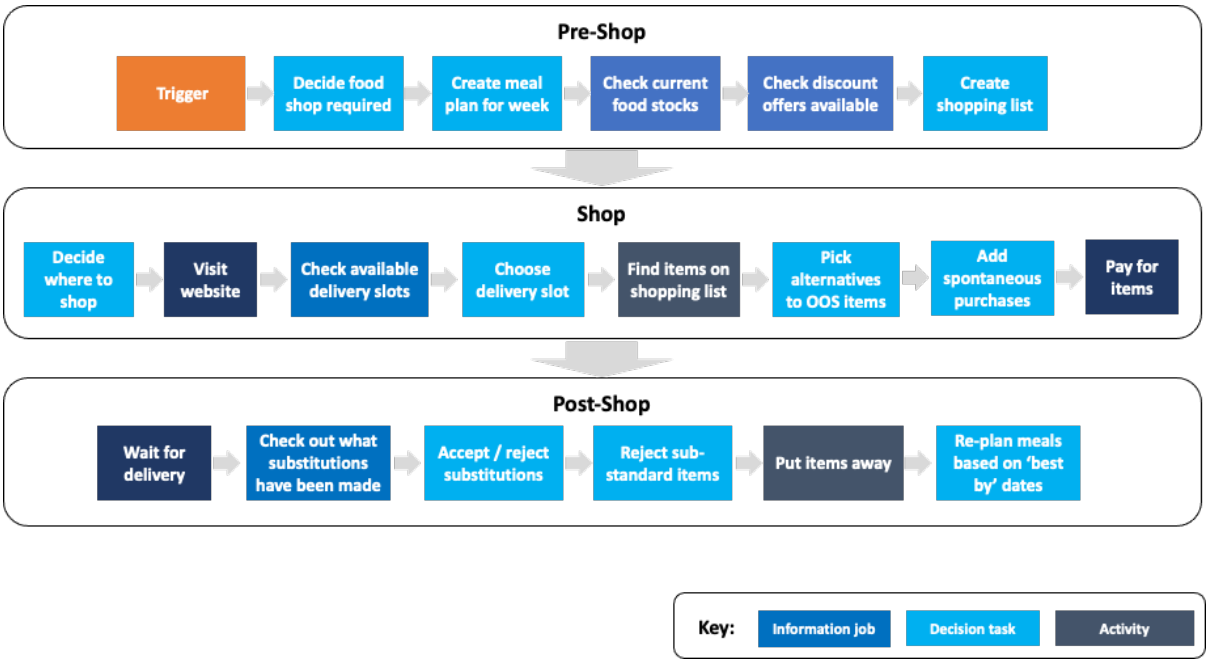

Figure 22: Customer Jobs for Completing an Online Supermarket Shop

Three-quarters of the jobs being directly or indirectly related to customers making a decision has massive implications for journey enablement. And it should make clear that enabling journeys is not just about delivering a service, it is also about delivering information.

Incorporating data, information and decision support tools into customer journeys helps customers make better decisions and make them more easily. As a result, they can achieve an optimal outcome more quickly and with less cognitive effort. The more data the business has about customers, the more it can infer what outcome the customer is seeking and determine the best intervention for helping the customer achieve their desired goal.

These developments help brands as much as customers. Many of the decision tasks arise in early stages of the journey, meaning purchase decisions can be influenced and switching costs created (as per Pilkington and Armitage Shanks decision support tools mentioned above).

Imagine a supermarket using RFID tagging to provide customers with a reliable inventory of the food in their house, comparing this with historic levels to identify gaps, then automatically populating a shopping list in the app. Or suggesting a meal plan based on previous food purchases and populating the basket with the required ingredients. Or in the supermarket, helping customers find the best substitutes for out-of-stock items by means of a predictive model they can access via the app.

All of these have potential to make life significantly easier for customers while at the same time creating relationship bonds that competitors will struggle to overcome. Incorporating data, decision support and predictive modelling (of both customer intent and next best conversation) into customer journeys will be an increasingly important CX differentiator over the next few years. And the starting point is calling out what decisions are being made, by whom and what information they need to make those decisions.

From mapping to orchestration

As valuable as journey mapping or using the mental models is, especially when you focus on customer decisions and how you can support them, it is not enough. When it comes to implementation, you need to stop thinking about mapping and start thinking about orchestration.

Journey orchestration is the process of managing customers interactions across your touchpoints to deliver your differentiated experience. It involves ascertaining what customers wish to achieve and what the next job is that they wish to complete and then deliver an interaction that will help them achieve it.

Journey mapping or mental modelling is the first stage in journey orchestration. It should identify all the jobs that customers need to undertake to achieve their desired outcome. In addition, it should detail the customer jobs that you currently support directly and those that you intend to support in the future.

As highlighted in Chapter 5, customer jobs can be supported in multiple ways and you need to outline how you plan to support these jobs in a way that delivers your brand promise. For jobs that you cannot support directly, you need to identify whether there are potential partners who could help customers complete them so that you can build the necessary linkages. Finally, as detailed in Chapter 3, it is worth capturing the jobs that you have chosen not to support either directly or indirectly in your No-log.

But orchestrating journeys also requires defining how you will help customers achieve their desired outcomes – for a given event, what content or messaging you will serve and via what channels, all of which needs to be defined in advance.

This requires the following five steps.

Step 1: Listen

While the customer's journey is broader than their contact with your touchpoints (all of which should be captured in your experience design), when it comes to orchestration, understanding how customers are interacting with you today is an important first step.

If you have a customer path analysis tool in place that is connected to all your channels, this is relatively easy to do. All you need is a common customer identifier and you can connect journeys across multiple channels – email, phone, chat, web site, mobile and social. If you don't have such a solution in place, it is

possible to do the same as a one-off exercise, but it requires a lot of heavy lifting by your data engineering and data science teams.

This analysis helps identify what journeys customers are currently undertaking with you (as opposed to the ones you think they are making). It also identifies failure points – where customers are dropping out completely or retracing their steps or switching from an automated journey to one that requires contact with branch or contact centre colleagues.

Step 2: Fix the basics

Once you have identified these failure points, you can start performing root cause analysis into why they are occurring.

In some cases, the reason will be obvious – for example if an email designed to encourage purchase is causing lots of customers to return to a previous stage in the journey, then it's clear the content of that email needs reviewing.

Others will require gathering additional internal data. For example, if you identify a cadre of customers who are switching from the mobile app to the contact centre, you can interrogate the CRM system to gain a better understanding of what is triggering these switches.

Similarly, there will be a wealth of information in social media comments on what isn't working as well as customers would like. All of which can be tied into the data collected in the previous step so that you can understand what is creating problems for customers and why. The quick wins this will deliver will help your initiative gain organisational traction.

A lot of what you identify will be quick wins – solutions you can implement with minimum effort that will deliver value immediately. These help to provide credit in the bank for when you are selling your complete strategy to the C-suite.

Step 3: Define the additional elements required

Based on the customer jobs that you have chosen to support, the next step is defining what needs to be in place for you to do so. The data, decision support tools, content and services required to help customers complete each one will have been defined in the mapping stage. And in the orchestration phase it is necessary to identify how each element will be incorporated into the channels you are choosing to serve customers – mobile, web, social, etc.

While the selection of additional (i.e. non-core) jobs that you are deciding to support should be shaped by how you are choosing to differentiate your brand, brand promise also needs to be incorporated into the design – the look and feel – and into the tone of voice used when content is being served.

Step 4: Operationalise

The next step is to put the above into action. This requires a couple of additional artefacts – an intervention plan and an interaction map.

The first builds on step 3. It identifies the trigger points for the business making an intervention, how those triggers will be identified and then what the intervention (often described as next best action or next best conversation) will be. The interventions define what you are trying to achieve with the customer – how you are seeking to help them progress towards their desired outcome and profit in the process.

The latter is very important. When designing interventions, it is important to remember that alongside the customer's journey to their desired outcome there is the journey that you want to take customers on – the journey to maximum lifetime profitability. If you have created a customer lifecycle analysis model, the triggers and next best actions from this also need to be identified.

It also requires the definition of arbitration rules. While it is generally possible to identify the next best action from the customer's perspective and the next best action from the business's viewpoint, these don't always coincide. Hence as part of your intervention plan you will also need to define how those two potentially conflicting requirements will be balanced.

The second deliverable translates these interventions into interactions. It defines the communication requirements – the content and messaging for each intervention. These interactions will not be the same for each customer, so different interactions for each customer grouping will need to be developed. Equally content will need to be created for each channel that the messaging may be delivered through – onsite, app, contact centre, etc.

This interaction map will identify the communication requirements for delivering your targeted experience and it needs to be compared with what exists currently. This will generate a number of gaps, with the priority gaps becoming the focus for your content creation strategy.

Step 5: Sustain

The ability to deliver the desired experience on an ongoing basis requires a clearly defined operating model – one that enables listening and orchestration of content or service provision across all aspects of the journey.

This requires a further artefact – one that defines the necessary capabilities for customer identification, verification and authentication; data capture and storage; insight development and predictive modelling; campaign management and targeting; content delivery and conversation management.

Again desired capabilities need to be compared with current capabilities so that gaps can be translated into initiatives encompassing all elements of an operating model – process, technology, data, competency, organisation design, culture and performance management.

This is covered in the next chapter.

9. Execution: Building the capabilities and operating model for delivering your target experience

To define the capabilities required, you need to translate customer jobs into business outcomes, business outcomes into business jobs and business jobs into tasks, with measures attached so performance can be tracked. Once capabilities have been outlined, an operating model needs to be designed with gaps identified so that initiatives can be defined and delivered to fill these gaps.

Delivering the desired experience to your customers requires having the right capabilities. Capabilities are the power or ability to do something and in a business context they are achieved through a combination of enablers – people, process and technology, for example.

This chapter describes how to translate the customer outcomes and customer jobs identified in your journey mapping into business outcomes – the outcomes the business would like to achieve in relation to each customer job. These business outcomes need to be decomposed into the jobs the business must undertake and then further broken down into the component tasks of each job, with outcomes and jobs defined so that how well they are completed is measurable.

The metrics attached to the business jobs identified provide you with a barometer of current capability performance levels. They also enable the definition of targets, with differences between current and target levels of performance captured using a red, amber and green (RAG) traffic-light approach. The gaps define what needs to be improved. But to drive any improvements you need to deconstruct a capability into its enabling components.

These are often reduced to people, process and technology – but this an oversimplification. The people dimension needs to be split into staff competencies (the skills and experience that employees have), the culture of the company and business organisation, with the last of these further broken down into org design, governance and collaboration. Similarly enabling processes with technology requires data and data also feeds performance measurement, both of which need to be incorporated.

This chapter describes a seven-legged definition of an operating model encompassing process, data, technology, people competencies, organisation (which breaks into three sub-components), culture and performance management.

These different elements are complementary but also potentially duplicative – the more you invest in technology, the less people you need and the lower skills those people require being one obvious trade-off. And the critical element with designing an operating model, as with any strategic decision, is deciding where to invest more and where to invest less.

The next part of this chapter describes how to translate business outcomes, business jobs and their component tasks into the different elements of an operating model. It illustrates this approach by continuing the example from the previous chapters, drilling down on two of the gaps defined in the previous chapter – predictive analytics and journey orchestration.

The online grocery shopping example from the previous chapter has been extended to bring the concepts described to life.

Defining the capabilities required

Retaining an external focus when building internal capabilities

As described in the previous chapter, your journey map or mental models diagram should outline what customer jobs you are wishing to support directly and how you plan to do that in a way that supports your differentiation against competitors.

You then need to translate those customer jobs into what you will do to enable customers to complete them. When you switch from focusing on what you are trying to help customers achieve to how you plan to do that, there is a risk that the customer perspective becomes lost. The approach outlined in Figure 23 below ensures that everything is anchored in the customer's job-to-be-done, with each element easily derived from the previous one.

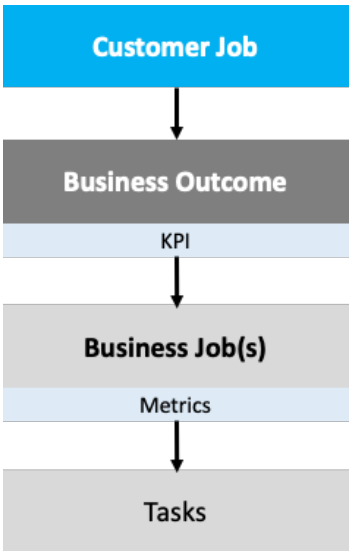

Figure 23: From customer jobs to business tasks

The first step is translating completion of that job into a business outcome – what does customer success look like from the business's perspective. The next step is translating the business outcome into the component business jobs required to deliver that outcome and then into the business tasks that sit underneath each job.

Performance measurement plays a critical role here, firstly in defining the key performance indicator (KPI) that will be monitored to determine how well the business outcome is being achieved. Then secondly at a more detailed level to understand how well each business job and task is being performed.

Translating customer jobs into desired business outcomes

When translating customer jobs into business outcomes, the definition of business outcomes needs to encompass what success looks like from the business's perspective. This requires inclusion of strategic objectives – customer acquisition, growth, retention and profitability – into capability development.

The example we will work through uses the Shop stage of the online grocery shopping journey outlined in previous chapter (as delineated by the red box in Figure 24 below) and then sequentially looks at deriving

business outcomes from customer jobs, then business jobs from business outcomes, the attachment of measures to outcomes and jobs, then finally translating business jobs into business tasks.

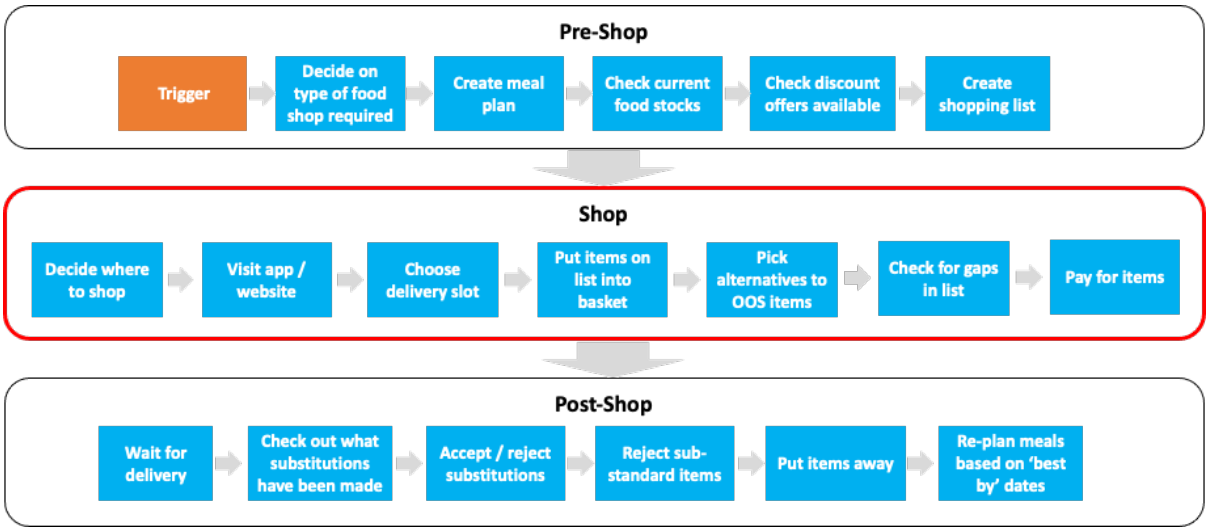

Figure 24: Shop stage in online grocery shopping journey

Figure 25 below translates each of the customer jobs in the Shop stage of the journey into business outcomes. (Note: the area in the red box will be expanded on in the next section.)

So if we take the *Decide where to shop* job, the desired business outcomes are that existing customers make the business the first choice for online shopping and that new customers are willing to try the brand's online experience. Implicit in these outcomes is that the experience needs to be of high quality for customers to come back and for positive reviews to encourage new customers.

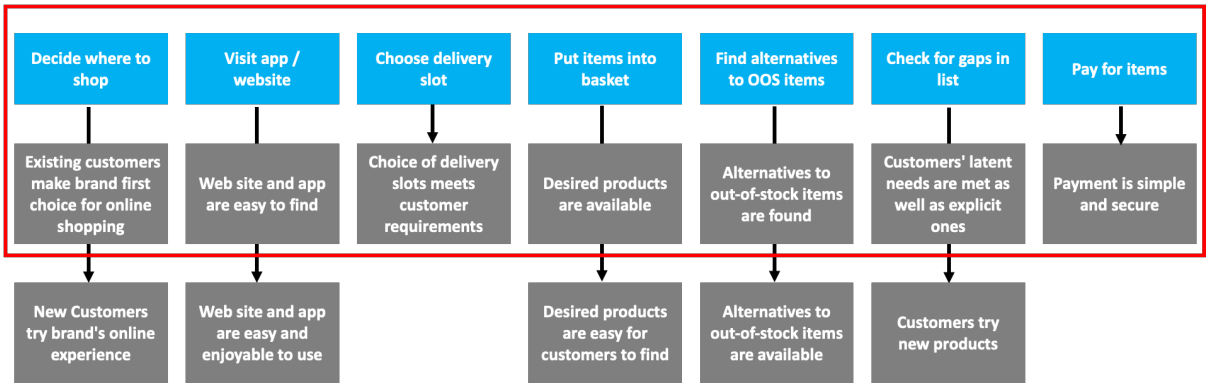

Figure 25: Translating customer jobs into business outcomes for Shop stage

Similarly the business outcomes for *Visit app / website* is that both website and app are easy to find and easy to use. For choosing delivery slots the desired outcome is that the choice of slots available meets customer requirements.

When customers are looking to add items to their basket, the first outcome is that the desired products are available and the second is that the customer can easily find them. In cases where an item is out-of-stock, the desired outcomes are that suitable alternatives are recommended to the customer and that these alternatives are available.

For the *Check for gaps in list* customer job, the first desired outcome is that customers are able to satisfy their latent needs – shopping needs that they have but did not capture explicitly when creating the list – the second is that from a business perspective it would be great for them to try new products. And when it comes to paying, the desired outcome is that the experience is simple and secure.

Translating business outcomes into business jobs-to-be-done

The next step is to translate business outcomes into the jobs the business needs to complete. This is illustrated in Figure 26 below which focuses on the red-boxed area in Figure 25. (Note: the area in the red box in this figure will be expanded on in the next section.)

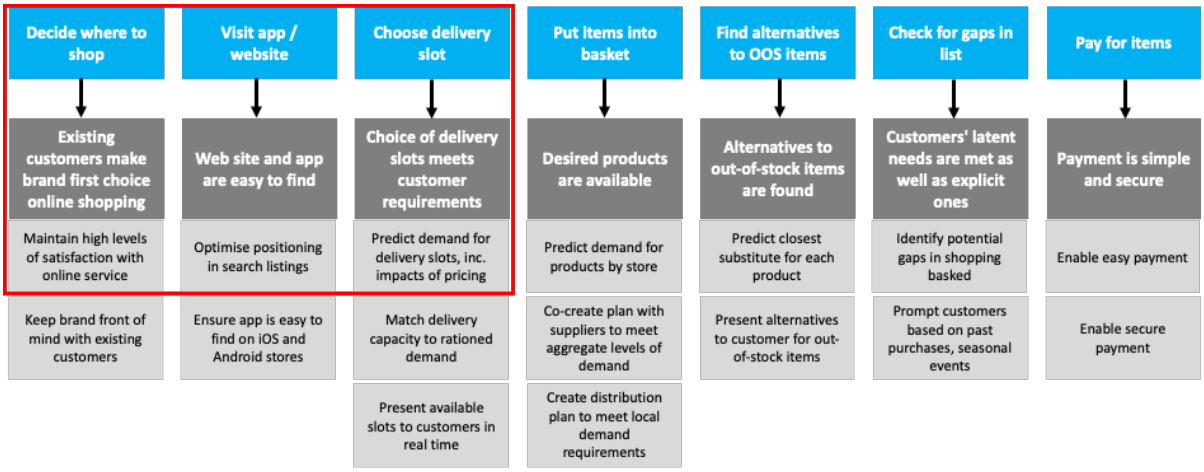

Figure 26: Translating business outcomes into business jobs

So for brand to be first choice for online shopping for existing customers, it is necessary to maintain high levels of satisfaction with online service and keep brand front of mind. Similarly to ensure the web site and app are easy to find, it is necessary to optimise positioning in search listings and ensure the app is easy to find in app stores.

Completing the picture with tasks and measures

Figure 27 below provides more detail on the red boxed area in Figure 26 above. It illustrates translating business jobs into specific tasks and then attaching measures – KPIs to business outcomes and metrics to business jobs.

Customer Job to be done	Decide where to shop	Visit app or web site	Choose delivery slot
Business Outcome	**Existing customers make brand first choice for online shopping**	**Web site and app are easy to find**	**Choice of delivery slots meets customer requirements**
KPIs	% of active customers who return Ave. gap between visits Ave. spend of returning customers Est. % share of wallet	Number of web visits by source Number of app downloads and usage	Bounce rate from delivery slot page
Business Job	**Maintain high levels of satisfaction with online service**	**Optimise positioning in search listings**	**Predict demand for delivery slots, including impacts of pricing**
Metrics	% customers satisfied or very satisfied with service	Number of visits coming via organic and paid search Estimated ROI on paid listings	Accuracy of predicted versus actual demand for slots
Task	Monitor customer satisfaction, service strengths and pain points	Create search engine optimisation strategy	Collect data on delivery preferences and selection
Task	Identify opportunities to improve experience	Create paid media strategy and model for spend optimisation	Use data to create predictive demand model and monitor performance
Task	Communicate opportunities to relevant teams and track progress	Estimate ROI on paid media spend	Monitor model performance

Figure 27: Adding tasks and measures

The above figure spells out what the KPIs, metrics and tasks would be for the first three business outcomes in the Shop phase. So for making brand first choice for existing customers for online shopping, there are a number of KPIs that could be considered – percent of customers who return, average gap between visits, average spend and estimated share of wallet. The first three are relatively easy to compute, the last one would require some modelling.

For the business job of *Maintain high levels of satisfaction with online service*, the metric of percent customers satisfied or very satisfied could be tracked, or alternatively NPS could be used.

The three tasks identified to complete the business job would involve monitoring customer satisfaction, service strengths and pain points; identifying opportunities to improve service; and communicating improvement opportunities to relevant teams and tracking progress.

Similar examples are shown for the business outcomes of *Web site/app are easy to find* and *Choice of delivery slots meets customer requirements*.

Using measures to create an overview of current capabilities

Once you are measuring performance on these KPIs and metrics, you can start to identify priority areas for attention. The capabilities outlined are the desired ones and for each KPI and metric you need to outline what the target performance level should be – the level at which you could say the outcome is being met or job is being completed satisfactorily.

These target levels can then be compared with current performance, which is based on as-is capabilities, to define the performance gap. You can then capture gaps in performance in the form of a RAG status, as illustrated in the example below.

Customer Job to be done	Decide where to shop	Visit app or web site	Choose delivery slot	Put items on list into basket	Find alternatives to out-of stock items	Check for any gaps in list	Pay for items
Business Outcome	**Existing customers make brand first choice for online shopping**	**Web site and app are easy to find**	**Choice of delivery slots meets customer requirements**	**Desired products are available**	**Alternatives to out-of-stock items are found**	**Customers' latent needs are met as well as explicit ones**	**Payment is simple and secure**
KPIs	% of active customers who return Ave. gap between visits Ave. spend of returning customers Est. % share of wallet	Number of web visits by source Number of app downloads and usage	Bounce rate from delivery slot page	Out of stock days to target in stock days by product Number of views of out of stock products	% of cases when alternatives offered are selected	Ave. number of products purchased per month Average purchase value	Number of completed transactions Number of baskets abandoned Data breaches
Business Job	**Maintain high levels of satisfaction with online service**	**Optimise positioning in search listings**	**Predict demand for delivery slots, including impacts of pricing**	**Predict demand for products by store**	**Predict closest substitute for each product**	**Identify potential gaps in shopping basked**	**Enable easy payment**
Metrics	% customers satisfied or very satisfied with service	Number of visits coming via organic and paid search Estimated ROI on paid listings	Accuracy of predicted versus actual demand for slots	Accuracy of predicted versus actual demand for products by store	Accuracy of predicted versus acceptedl substitution	Number of prompts generated	% first time payment success
Task	Monitor customer satisfaction, service strengths and pain points	Create search engine optimisation strategy	Collect data on delivery preferences and selection	Collect purchase data by store	Collect attribute and cross purchasing data by product	Collect historic purchase data	Create a payment mechanism that is easy for customers to use
Task	Identify opportunities to improve experience	Create paid media strategy and model for spend optimisation	Use data to create predictive demand model and monitor performance	Use data to create predictive model for store-level demand	Create model for predicting best substitutes	Create model to predict purchase frequency	Monitor usage and identify improvement opportunities
Task	Communicate opportunities to relevant teams and track progress	Estimate ROI on paid media spend	Monitor model performance	Monitor model performance	Monitor model performance	Monitor model performance	
Business Job	**Keep brand front of mind with existing customers**	**Ensure app is easy to find on iOS and Android stores**	**Match delivery capacity to rationed demand**	**Co-create plan with suppliers to meet aggregate levels of demand**	**Present alternatives to customer for out-of-stock items**	**Prompt customers based on historic purchases, seasonal events**	**Enable secure payment**
Metrics	% of active customers mentioning brand first in research	Ranking of app in stores for named / generic search	Available capacity against planned capacity	Out of stock days to target in stock days by supplier	Number of substitution options communicated	Response rates to prompts and promotions	% fraudulent transactions
Task	Create promotional offers that reward loyalty	Create plan with app stores to maintain positioning	Translate rationed demand into requirements for pickers, delivery drivers and vans by area	Create plan with each supplier that communicates requirements	Identify triggers for when substitutes should be proposed	Compare model predictions with recent purchases / current basket	Create a payment mechanism that is secure
Task	Create model to predict likely response to different models and monitor performance		Create plan to ensure availability of delivery vans by area		Create prompts / messaging about potential alternatives	Create and promote seasonal offers	Monitor and identify improvement opportunities
Task	Target existing customers with offers with appropriate regularity		Create plan to ensure availability of pickers and delivery drivers		Present alternatives via web site and app	Promot missing items and seasonal offers via web site and app	
Business Job			**Present available slots to customers in real time**	**Create distribution plan to meet local demand requirements**			
Metrics			Refresh speed of slot availability	Out of stock days to target in stock days by store			
Task			Update slots in real-time based on app and web site selection	Create model that optimises stock availability based on supply and local demand			
Task			Present available slots via web-site and app	Model monitor performance and iterate			
Business Outcome	**New Customers try brand's online experience**	**Web site and app are easy and enjoyable to use**		**Desired products are easy for customers to find**	**Alternatives to out-of-stock items are available**	**Customers try new products**	
KPIs	Number of new customers acquired and activated	Number of returning web customers % of app downloads active		Speed of journey completion	% cases when closest substitute is available	Number of aisles / categories shopped in	
Business Job	**Identify and target potential new customers**	**Maintain high levels of satisfaction with app / web site**		**Ensure web site and app search capability is effective**	**Factor substitution into product demand and supply models**	**Identify cross-sell opportunities**	
Metrics	Response rate by campaign	% customers satisfied or very satisfied with app and web site		% of first time successful searches by customers	Predicted subsitution versus actual substitution	Number of cross-sell opportunities communicated	
Task	Create advertising targeted at new customers	Monitor satisfaction with app / web site, strengths and pain points		Monitor customer searches and identify improvements	Modify product demand models to reflect substitition	Collect historic purchases and product attribute data	
Task	Create promotional offers that reward first use	Undertake regular research on how web site / app are being used			Monitor performance and iterate	Create cross-sell propensity model	
Task	Identify and target prospects with offers	Feedback improvement opportunities and track progress				Monitor effectivieness of cross sell model	
Business Job		**Continually improve usability**		**Orchestrate customer journey**		**Present recommendations to customers**	
Metrics		Number of enhancements and impact of changes		Uotake of next product prompts		% of cross sell recommendations accepted	
Task		Review competitors / comparators to identify emerging trends		Create model to predict purchase intent and compare with recent purchases / current basket		Create cross-sell offers	
Task				Present suggestions via web site and app		Based on ranked propensities, present suggestions via web site and app	
Task				Monitor model performance			

Figure 28: Identifying priority capability gaps for attention

When the jobs or tasks are green, it typically means that no initiatives beyond continuous improvement are required. But when there is a significant amount of red or amber, as is the case with business outcome of *Alternatives to out-of-stock items can be found* and *Customers latent needs are met as well as explicit ones*, significant interventions are required.

Defining gaps between as-is and to-be capabilities

While the above describes the gaps in quantitative terms, you need to turn that into more qualitative descriptions.

In some cases this is relatively easy to do. For example, the business job of orchestrate customer journeys, which supports the business outcome of desired products are easy to find, will likely require the

implementation of a whole new real-time interaction management (RTIM) capability and a new predictive analytics capability to support it.

Where it is less clear, asking questions such as 'What do we want to be able to do that we can't do now?' and 'What do we need to do to improve our performance on this KPI?' will help flesh out what the gap is.

In both the above cases, it is then a matter of drilling down with more specific questions to flesh out requirements.

Designing an operating model

The operating model you design needs to deliver the business outcomes desired and enable completion of the different business jobs and tasks.

Elements of an operating model

As outlined in Figure 29 below, an operating model is comprised of different elements – process, data, technology, people, organisation (with sub-elements of organisation design, collaboration across functions and teams, governance), performance management and culture. It is these elements, in combination, that enable a capability.

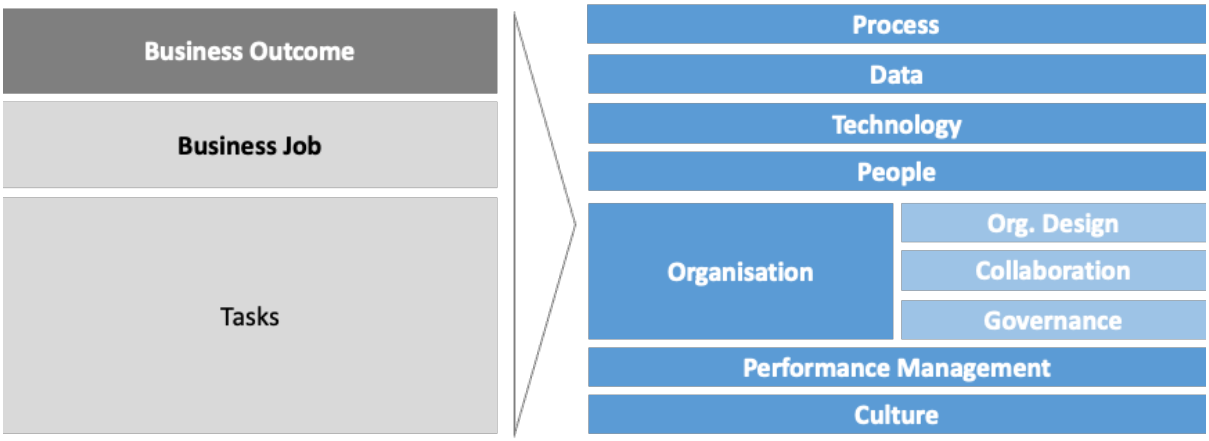

Figure 29: Operating model overview

As highlighted above, there is often a trade-off between the elements – people and technology being the most obvious example. Some are dependent on others – performance management requires data, for example. And some elements need to be designed in conjunction with others – people, organisation and culture need to be looked at together, as do culture and performance management so that they are complementary.

Processes describe how tasks are completed with the steps and decision points all outlined. Processes typically have three levels with an increasing amount of detail in each one. And under the most detailed level there is typically a procedures manual which contains policies, links, checklists, screenshots, tutorials and scripts.

Data is a key enabler of processes and process controls, automation via technology and performance management. In the context of an operating model, it is necessary to define the data required to feed all the elements it supports.

Technology refers to the systems put in place to support process execution via automation of certain elements. Examples would include CRM, RTIM and data and analytics platforms.

People refers to what types of individuals are required for the effective completion of processes and sub-tasks – the skills, experience and attitudes that are necessary.

Organisation can be split into three sub-elements. Firstly organisation design which details how teams will be structured, again with effective completion of processes in mind. This involves defining roles and responsibilities, KPIs for each role and reporting lines.

Often there may be a need to work with a separate function to the internal team – compliance, IT, HR, finance, etc. – and how this happens needs to be captured as part of the collaboration component. Finally there is governance which describes the oversight and controls that will be put in place so that the organisation is operating effectively.

The next element is performance management. This has two dimensions – firstly covering how process and task completion will be assessed, secondly relating to how performance in different roles will be monitored, with the first driving the second.

Finally there is culture. Organisational culture is the collection of motivations, values, beliefs, expectations and attitudes that guide the behaviours of team members – specifically around decision-making, actions, sociability and communication. Culture is a complement to performance management as it governs what can't be managed through KPIs and metrics.

Taking a holistic approach to operating model design

When designing an operating model, a good way to start is to imagine you have a blank sheet of paper. This helps prevent you from being anchored by the existing one. Ultimately it is likely to be a compromise, but it is useful to start by thinking as if it was an operating model for a new business rather than an incremental upgrade to the current model.

A second benefit is that it ensures you look at the model holistically rather than piecemeal. The risk with a bit-by-bit approach is that you come up with localised solutions (for organisation design, for example) that doesn't fit with what is being done elsewhere. There is also the chance that you miss the bigger picture of how a single technology initiative (for example) could enable a multitude of business jobs and tasks.

A good way to avoid these risks is to aggregate related tasks from different business jobs under higher level headings. So if we build on the example above, analytics and predictive modelling is one area that crops up in multiple jobs. Similarly the presentation of information to customers (in light of what they have just done), requires journey orchestration and a RTIM solution to support interaction management and journey orchestration.

Since journey orchestration and RTIM are heavily reliant on predictive modelling, it makes sense to look at the two areas in parallel. This is done in Figure 29 below, which takes the business outcomes that require

predictive modelling and RTIM capabilities (excluding the others) and defines the requirements for each one.

Business Outcome	Business Jobs	Tasks - Predictive Modelling and Analytics	Tasks - RTIM and Journey Orchestration
Choice of delivery slots meets customer requirements	Predict demand for delivery slots Present available delivery slots in real-time	Collect data on delivery preferences and selection Use data to create predictive demand model Monitor model performance	Update slots in real-time based on app and web site selection Present available slots via web-site and app
Desired products are available	Predict demand for products by store	Collect purchase data by store Use data to create predictive model for store-level demand Monitor model performance	
Desired products are easy for customers to find	Orchestrate customer journey	Create purchase intent model Compare current basket to predicted need	Identify next best products based on model and item most recently added to basket Present suggestions via web site and app
Alternatives to out-of-stock items are found	Predict closest substitute for each product Present alternatives to customer for out-of-stock items	Collect attribute and cross purchasing data by product Create model for predicting best substitutes Monitor model performance	Identify trigger events for when substitutes should be proposed Create prompts / messaging about potential alternatives at trigger events
Customers' latent needs are met as well as their explicit ones	Identify potential gaps in shopping basket Prompt customers based on historic purchases, seasonal events	Collect historic purchase data Create model to predict purchase frequency Monitor model performance	Compare model predictions with current basket Create and promote seasonal offers Promot missing items and seasonal offers via web site and app
Customers try new products	Identify cross-sell opportunities Present cross-sell recommendations to customers	Collect historic purchases and product attribute data Create cross-sell propensity model Monitor effectivieness of cross sell model	Create cross-sell offers Based on ranked propensities, present suggestions via web site and app

Figure 29: Grouping tasks by capability required

So if we take the job of *Alternatives to out-of-stock items are found*, from a predictive modelling perspective this requires collecting attribute and cross-purchasing data by product and using that to create a predictive model for best substitutes, creating a predictive demand model by store and then monitoring model performance. Similarly the RTIM requirements are identify triggers for when a substitute should be proposed and create prompts/messaging about alternatives to be shown at trigger events.

The next step is to sum of all the requirements identified in the stage above and translate them into what that means in terms of the different operating model elements. This is shown in Figure 30 below.

Operating Model Area	Detail	Action Areas - Predictive Modelling and Analytics	Action Areas - RTIM and Journey Orchestration
Process	Required processes	Data access, model development, model validation, model monitoring and model update	Offer / campaign creation, data and model output access, trigger identification, decisioning, presentation of decision outputs to web site and app, capture of customer response to offers / prompts
Data	Data access requirements	Data access requirements: delivery slot selection, store-level purchase data by product, customer-level purchase data, product attribute data	Outputs from predictive models for delivery slot demand, purchase intent, purchase frequency, best substitutes, cross-sell propensity; Real-time data access to on web site / app customer behaviour - product searches, product views, basket items
Technology	Technology requirements	Data access / storage, analytics tools for data exploration, data science tools for model creation and performance monitoring	Tools to enable journey analytics, customer intent-driven journey orchestration and real-time interaction management
People	Skills	Data engineering: competence with leading open source tools Data science: competence with leading open source tools	Experience of journey analytics, journey orchestration, offer / campaign creation, customer decisioning and delivering real-time interaction management
Organisation	Organisation Design	In-house central data science team supporting different organisational functions; Primarily UK-based with some activities (e.g. model monitoring) handled offshore	Dedicated in-house decisioning team to support customer engagement that is UK based
	Collaboration	Centralised decisioning team, offshore support team	Data engineering and data science, marketing agencies
	Governance	Steering group to monitor performance across data engineering, data science and decisioning; also manage issues (blockers and dependencies), mitigate risks and monitor compliance with GDPR and ePrivacy	
Performance management	KPIs	Bounce rate from delivery slot page, out of stock days to target in stock days, speed of journey completion, % of cases when alternatives offered are selected, ave. number of products purchased per month and average product value, number of aisles / categories shopped in	
	Other metrics	Predicted versus actual performance - delivery slot demand, out-of stock, product substitution, purchase intent, purchase frequency, cross-sell models	Number of options communicated - next best purchase, substitutions, cross-sell and response rates to prompts and promotions
Culture	Culture	We must create value for customers to create value for business, we must be constantly curios about what customers really want and value, we must be proactive in the service we provide as far as possible, we must continously improve the service we provide	

Figure 30: Translating tasks into capabilities and then into operating model components

So if we take the example of data requirements for all predictive modelling and analytics, all the data required to enable the predictive models needs to be defined and made accessible to those models. And for the RTIM element, it requires that the outputs from these models are available to the RTIM system.

Taking a gap-driven approach to operating model design

Often there is not the time or latitude to start from scratch, so going from the as-is to to-be model requires a gap driven approach. Figure 31 below takes Figure 29 above and incorporates the RAG status from earlier in the chapter.

Business Outcome	Business Jobs	Tasks - Predictive Modelling and Analytics	Tasks - RTIM and Journey Orchestration
Choice of delivery slots meets customer requirements	Predict demand for delivery slots	Collect data on delivery preferences and selection	Update slots in real-time based on app and web site selection
	Present available delivery slots in real-time	Use data to create predictive demand model	Present available slots via web-site and app
		Monitor model performance	
Desired products are available	Predict demand for products by store	Collect purchase data by store	
		Use data to create predictive model for store-level demand	
		Monitor model performance	
Desired products are easy for customers to find	Orchestrate customer journey	Create purchase intent model	Identify next best products based on model and item most recently added to basket
		Compare current basket to predicted need	Present suggestions via web site and app
Alternatives to out-of-stock items are found	Predict closest substitute for each product	Collect attribute and cross purchasing data by product	Identify trigger events for when substitutes should be proposed
	Present alternatives to customer for out-of-stock items	Create model for predicting best substitutes	Create prompts / messaging about potential alternatives at trigger events
Customers' latent needs are met as well as their explicit ones	Identify potential gaps in shopping basket	Collect historic purchase data	Compare model predictions with current basket
	Prompt customers based on gaps, seasonal events	Create model to predict purchase frequency	Create and promote seasonal offers
		Monitor model performance	Promote missing items and seasonal offers via web site / app
Customers try new products	Identify cross-sell opportunities	Collect historic purchases and product attribute data	Create cross-sell offers
	Present cross-sell recommendations to customers	Create cross-sell propensity model	Based on ranked propensities, present suggestions via web site and app
		Monitor effectivieness of cross sell model	

Figure 31: RAG status for predictive modelling and RTIM by business job

The next step is to take a single business job which is red or amber and capture the as-is capability and the gaps with the desired to-be capability. This is illustrated in Figure 32 below.

Business Outcome	Business Jobs	Current Capability - Overview	Gap - Overview
Desired products are easy for customers to find	Journey Orchestration	Strong data science and data engineering team and capability	No capability to deliver real-time customer engagement
Operating Model Area	**Detail**	**Current Capability**	**Gap**
Process	Required processes	Process exists for capturing data is in basket in real time and sharing that so it can be processed Process exists for taking output from a predictive model Process for model monitoring	Process for modelling customer purchase intent Process for comparing model output with current basket Process for prioritising suggestions Process for presenting suggestions
Data	Data access requirements	All data required to create purchase intent model is available to data science workbench Real-time data on customer basked is also available to decisioning tool	No gaps
Technology	Technology requirements	Open source data engineering and data science tools	Decisioning capability to support journey orchestration and real-time interaction management
People	Skills	Data engineering: competence with leading open source tools Data science: competence with leading open source tools Offer and campaign creation	Journey analytics, journey orchestration, customer decisioning and delivering real-time interaction management
Organisation	Organisation Design	Central data science and data engineering team with offshore support	Decisioning and orchestration team to support customer engagement
	Collaboration	Collaboration between data science team and other functions	Collaboration between decisioning team and data science team, also with other parts of organisation
	Governance	Data science performance review group focused on modelling and data engineering	Steering group to monitor performance across data engineering, data science and customer engagement; also manage issues (blockers and dependencies), mitigate risks and monitor compliance with GDPR and ePrivacy
Performance management	KPIs	Ave. number of products purchased per month and average product value, number of aisles / categories shopped in	Speed of journey completion
	Other metrics	Predicted versus actual model performance	Number of next best purchases communicated, response rates to next best purchases prompts and promotions
Culture	Culture	We are proactive in the service we provide as far as we can be, we continously improve the service we provide	We create value for customers to create value for business, we are constantly curious about what customers want and value

Figure 32: RAG status by operating model component for journey orchestration job

The gaps then need to be grouped under headings such as predictive analytics, as per Figure 30 above, so they can be addressed holistically.

Delivering the new capabilities

To fill the gaps identified you will need to define, design, deliver and deploy a portfolio of initiatives and this chapter will show you how to do this.

Once you have a defined set of requirements for an area like predictive analytics and what that means in terms of each element of the operating model (as per Figures 30 or 32 above), the next step is to split the work required into packages that are distinct, digestible and have a measurable benefit attached to their completion.

Distinct means that they are self-contained with the benefit they provide not being dependent on the delivery of other work packages. Digestible means that while they are big enough to deliver a measurable improvement, but not so big that each one takes months to deliver. That ensures that there is a flow to delivery.

Once these work packages are defined, they need to be put into a roadmap. The primary factor influencing the road map is dependencies – some work packages can't be begun until others are complete. But there is also a quick win dimension – what work packages will deliver maximum benefit in the least amount of time to enable the team to gain buy-in and build momentum.

Selecting the delivery approach

Over the past few years there has been a swing towards Agile delivery techniques with some organisations seeking to deliver all their projects in an Agile way. This is an overly simplistic approach, equal to the default beforehand when all projects followed a waterfall approach.

The nature of the work package – how much learning is required to develop the optimal solution – defines the design and delivery approach. If the solution can be clearly defined and designed up front, then traditional waterfall is the best delivery model. If further exploration is required, then Agile development is superior.

An example of where high levels of learning are required would be when a desired outcome is clear but the way to get there is not – teams must use a test and learn approach to come to the best solution. In such circumstances, Agile is the best approach.

But there are other situations – for example the implementation of a mature software system – where the component elements have been implemented hundreds, maybe thousands of times before. As a result, great implementation practices have had time to evolve so that as well as there being a clear picture of the desired end point, the steps required to get there are also well understood. In such a case, a waterfall approach will be quicker and more efficient.

Delivering the required changes

Change management needs to take place in parallel with delivery. This ensures that teams who will use the enhanced capability are ready to put it into operation.

The first step here is to identify who will be impacted by change – both existing staff and any new people who need to be recruited.

The next step is to then define what needs to be done (for new staff) and what needs to be done differently by existing staff – what new processes look like, what new technology enablement will be deployed, what new KPIs will be in place

The final step is to define the interventions required for both new and existing staff to be effective. This typically requires a combination of training and communication. If the changes are only minor, communication may be sufficient. But for the most part training will be required.

The starting point for defining what training is required is the completion of a training needs analysis which identifies for each cohort where they are now in terms of skills and competencies, where they need to be and how that gap will be bridged. This can then be used to create a comprehensive training curriculum.

PART 4: Final steps

10.Selling the change

The key to being able to sell your strategy to a group of senior managers is to tell a good story. As part of that you need to put yourselves in their shoes – not lecture them on why they should see the world as you do. This chapter provides a useful story format and outlines how you can use the jobs-to-be-done approach with internal customers.

At every stage in the creation and implementation of your CX strategy you need to be selling its importance to your internal customers – the senior managers who will determine whether it is supported, funded and executed. CX professionals extol the importance of empathy towards external customers but often overlook its importance with internal ones.

As mentioned in Chapter 2, one of my big reservations about focusing on customer-centricity in strategic transformations is because it sits at odds with the focuses of C-suite members – the CEO who has to balance the interests of all stakeholders, the CFO who is answerable to shareholders, the Chief Sales Officer who may be focused on partners and the Chief Human Resource Officer whose concern is employees. This chapter seeks to outline what the priorities of the different C-suite members are likely to be.

For the most important members of the senior management team, it is worth treating them as you would an external customer – define the outcomes they are seeking and the component jobs they need to complete to achieve those outcomes. Then map what you are doing against those outcomes and jobs. Outlining how your transformation supports each stakeholder in what they are trying to achieve will garner support. Equally understanding where it might hinder them enables mitigations to be prepared.

In instances where there is a conflict, it will likely boil down to the strength of the business case you have created. This encompasses both qualitative elements such as strategic fit and quantitative ones such as financial projections. Wrapping these together in a powerful story helps make your argument memorable. And if is not memorable, support will drift away.

As described in Chapter 7, storytelling is a helpful analogy for understanding customer journeys. That is even more the case when it comes to selling.

Using the story format

From as long ago as 1969, studies have shown that we retain far more information from stories than we do from lists – as much as 6-7 times more.[152] The reason is simple – stories appeal to both our logic and our emotions and we are more likely to remember what we feel than what we think. The content is also stickier because stories provide a context for the core message – by linking the different elements together they are more engaging. And the more engaging the message is, the more likely it is to encourage action.

To put it another way, we all hate being sold to but we all love hearing a great story.

In his much-shared article, *The Greatest Sales Deck I've Ever Seen*,[153] the sales and leadership coach Andy Raskin outlined the five elements that create a great sales narrative. Raskin's approach is based on one of

[152] Stanford Storytelling: Why retention is higher through stories, StoryPack, 20 April 2019

[153] The greatest sales deck I've ever seen, Andy Raskin, Medium, 15 September 2016

the oldest story-telling structures – one used in films such as Star Wars, The Lion King and The Matrix – the hero's journey.[154]

Name a big, relevant change in the world

As Raskin points out, what attracts human attention is change. At the minutest level, if our phone rings or we see a notification on our lock screen, it is hard to ignore and it challenges us to take action.

So the key to grabbing attention from the outset is articulating a startling event that creates change and upsets the current equilibrium – one that is both relevant to and recognised by your audience.

This should link to the organisation's business strategy with the change being one of the challenges that it has identified that needs to be overcome. This will help senior managers immediately see the relevance of what you are proposing.

Show there will be winners and losers

This is as simple as pointing out that adapting to the change quicker than competitors will likely result in a highly positive future and that not doing so will probably result in an unacceptably negative future. Spelling out the positive and negative scenarios in vivid terms will help ensure they are remembered.

As your CEO will have defined your organisation's key differentiators – describing how your CX strategy reinforces one of these and helps the business win in the new environment again ensures that it is seen as supportive to what the senior team is seeking to achieve.

Tease the promise land

The future state that you are envisaging needs to have the qualities of a promised land – the additional value that customers and the business will reap once your proposals have been implemented.

The promised land needs to be concrete and grounded in benefits rather than features. It is not about having fancy new technology, for example, but about how that technology will make customers' lives better and how that translates into a more successful future for the business. The promised land should be both desirable and difficult to achieve without the transformation being proposed.

In the context of your CX strategy, the promised land should relate to one of the primary strategic objectives outlined in the business strategy to reinforce the point that it is relevant to whole organisation, not just the customer experience team.

Introduce features as "magic gifts" for overcoming obstacles to the promised land

When you introduce what you are proposing, do so by positioning the new customer experience as something amazing that will almost magically help the business reach that much-desired promised land.

As Raskin puts it, you're Obi Wan furnishing Luke with a lightsabre to help him defeat the Empire, or you're the fairy godmother casting spells to help Cinderella go to the ball.

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[154] The hero's journey - mythic structure of Joseph Campbell's monomyth, Dan Bronzite, Movie Outline,

Present evidence that you can make the story come true

Almost by definition, the road to the promised land is littered with obstacles, so your audience will be sceptical about your ability to deliver. The last element of the sales narrative is presenting evidence that you can make the story you're telling come true.

In the case of customer experience transformations, the most compelling evidence will come from wins that you have already delivered (or ones that you have identified that can be easily implemented and will clearly deliver value).

Adapting your language to resonate with your audience

Continuing with the film theme, former Pixar story artist, Emma Coats, has summarised 22 rules for those wanting to infuse their own film scripts with some Pixar magic.[155] Rule 2 is particularly helpful, it states "You gotta keep in mind what's interesting to you as an audience, not what's fun to do as a writer. They can be v. different."

The same trap awaits those who put religious zeal ahead of business relevance when it comes to what they are proposing (a trap CX practitioners are prone to fall into). The risk is that when we are blinkered and cannot see anything but our own truth, we continually repeat it without appreciation for the contexts of others for whom that truth may not be so compelling. The context to understand here is that of the C-suite stakeholders whose support is required.

But there is one tool that most CX practitioners already understand and can use in this instance to the same effect – the jobs-to-be-done approach.

As described in Chapter 7, this starts with defining the customer's desired outcome. So in this case, what is the desired outcome of each of the CEO, COO, CMO, CTO, etc. What is the principal challenge that they each have? What is the main KPI that they will be judged against?

Once you have determined the major outcome each stakeholder is after, the next step is to identify the various jobs that they need to complete? And most importantly how does what you are proposing help them complete these jobs and attain their desired goal.

Of course, if what you are suggesting is an impediment in some way, then you have a problem. But if you have done your homework on the specific challenges each senior stakeholder faces, then you should be able to identify potential mitigations. What this book provides – an end-to-end approach for translating business strategy into a differentiating customer experience – will ensure you have the evidence to adapt the case for investment to the specific context of each C-suite member. And answering the questions that C-level executives are likely to have about your CX strategy and the initiatives you are proposing will help bring them on board.

So what do I think those questions are?

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[155] 22 Rules of Storytelling by a Pixar Storyboard Artist, Kimber Streams, Laughing Squid, 8 March 2013

Chief Executive Officer (CEO)

The primary outcome that the CEO is seeking is increasing the value of the business, whether that be via organic revenue and profit growth or through strategic acquisitions.

In terms of jobs, the primary one for the CEO is creating the strategy for the business, including the definition of the value exchanges with each significant stakeholder group (customers, employees, partners, suppliers, etc.). And they will want to know that the strategy they have crafted has cascaded through the organisation and is reflected in all aspects of operational management – customer experience management, supply chain management, operations management, etc.

Most CEOs I have met are hugely competitive and very focused on what competitors are doing. More importantly, they want to beat them. And, most importantly, they have a clear idea as to how to win – the differentiation the business needs to have. Chapter 4 helps answer, 'how does the experience you are designing support our intended source of differentiation?' by highlighting how CX priorities should vary with different strategic focuses – operational excellence and competing on price, product leadership and customer intimacy. Chapter 5 then drills deeper into how specifically the business is seeking to differentiate – what word it would like to own in the minds of its customers.

On their route to the top, they will have come to recognise the difference between good strategy and flannel purporting to be strategy. As outlined in Chapter 3, creating good strategy is hard because it requires trade-offs – being prepared to not do some things to do others extremely well. Focusing attention and resources is paramount to achieving the differentiation that delivers competitive advantage. So one question that a CEO is likely to ask is 'What are we not going to do in order to do other things well?'

Having three chapters relating to the types of question that CEOs are likely to have may seem excessive, particularly when compared to other books on customer experience. But it is precisely because this area has been so overlooked that it has been given significant weight in this one.

Chief Financial Officer (CFO)

The CFO's role is to ensure the business makes the profits required to increase the value of the business.

The key outcome that a CFO wants to achieve is delivering the financial forecasts he or she has agreed with the CEO. In terms of jobs, the main ones are creating financial plans and budgets, putting the controls in place to monitor financial performance and orchestrating interventions when it falls short.

CFOs can be the most sceptical in the C-suite when it comes to CX initiatives, particularly those that are supposed to deliver revenue increases. Typically they will give far more weight to projected cost savings as a source of profit uplift than projected revenue increases – cost savings are perceived to be more concrete and achievable.

The key questions from a CFO are likely to be 'how does what you are doing create value for the business?' and 'what return will you generate on the funds you are requesting' and 'how can I be confident that you will deliver this?' Chapter 6 provides a couple of options for creating a business case that will help you answer these queries.

Chief Operating Officer (COO)

The COO is responsible for implementing the strategy that the CEO has laid out. Specifically, they are responsible for the effective and efficient working of the organisation's operating model while ensuring any risks and regulatory issues are managed. The key outcomes that they are seeking is that the business achieves the performance on operational metrics that delivers the delivers the financial performance that the CEO and CFO are seeking, risks are controlled and there are no major compliance breaches.

In terms of jobs, there are similarities with those of the CFO, albeit with a focus on operational as opposed to financial performance – establishing targets for operational KPIs and metrics, monitoring performance against these targets, intervening to get things back on track if performance falls short, controlling risks and managing relationships with regulators.

Like the CEO, they will want to know 'how are strategic priorities reflected in what you are proposing?' But they are also likely to dig deeper with questions such as 'how will what you are proposing improve operational performance?' and 'how will this improved operational performance flow through to improved financial performance?'

The structured approach outlined in this book will help show the lineage from strategy through to initiative definition. Similarly, the value tree approach defined in Chapter 7 will help with answering the question about operational performance and its link to financial performance.

Chief Marketing Officer (CMO)

Marketing as a commercial discipline should encompass both sides of the value exchange – creating value for customers and then realising a share of the value created for the business. In large companies it is rarely now the case that the CMO role covers both aspects. The swing to brand-centric marketing in the 1990s and then towards campaign-centric digital marketing in 2010s has led to business interests far outweighing customer interests.

The key outcome a CMO is after will depend on their orientation. A brand-oriented CMO will be focused on improving brand recognition whereas a campaign-oriented CMO will be looking at acquisition and cross-sell rates. The key jobs are promotion-focused – either brand building and monitoring conformance with brand promise or creating activation campaigns.

Brand-oriented CMOs will certainly want to know 'how is our brand promise reflected in the experience we are designing?' The chapter on determining differentiators (Chapter 5) will help with this. A campaign-oriented CMO will want to know how the experience supports activation of new customers and cross-sell initiatives, both of which should be captured in the causal performance reporting framework outlined in Chapter 7.

Chief Sales Officer (CSO)

In B2B businesses, there is often a CSO (or Chief Revenue Officer) who is more senior than the CMO.

The key outcome a CSO is targeting is an increase in revenue, either from acquiring new customers or increasing share of wallet with existing customers. The latter may come from taking share from other suppliers with existing products or from expanding into new areas with those customers.

Key jobs include establishing revenue targets in conjunction with CFO, establishing how those revenue targets will be met, monitoring performance against those targets and intervening when performance falls short.

As a result, the key questions they will have will be around how the experience you are designing supports onboarding new customers, makes customer relationships stickier, enables share to be taken from competitors within existing accounts and assists the roll out of new product lines.

Chief Product Officer (CPO)

The CPO is responsible for a portfolio of products/services and managing them across the product lifecycle.

The outcomes they are seeking are high uptake of new products and sustained use of existing ones, including the use of maintenance and support services. The primary jobs for a CPO are developing new products, monitoring usage of existing products (using the IoT, for example), upgrading existing products and creating revenue-generating maintenance or support services.

CPOs will want to ensure that the parts of the experience traditionally controlled by CX teams – interactions with website, mobile app and support teams – complement the experience customers have when using the company's products and services. Hence they will want to know that the differentiators that they are prioritising in product/service design are accentuated in the experience you are designing.

Chief Technology Officer (CTO)

The CTO is responsible for the information technology estate that a business has created. The outcomes they are seeking are effective use of this estate (in terms of its support for revenue generation), its cost-efficient use and risk avoidance (e.g. business continuity).

The key jobs for a CTO are managing this estate across its lifecycle – adding or replacing technology where necessary, delivering the business case that new investments were based on, maintaining existing systems, decommissioning those being replaced and managing risks.

A Global Survey of C-level executives undertaken by McKinsey in July 2020[156] suggests that the digitisation of customer-facing operations has been accelerated by 3-4 years by the pandemic. Given the significant investments made to achieve this, CTOs will be on the hook for answering questions such as 'how can we deliver a good return on what we have spent?' and 'what do we need to do to fully realise the value potential?'

This may require retro-fitting a benefits realisation plan to the digital solutions implemented, especially if there was insufficient time for a detailed plan to be created in the rush to digitise. This is not the normal way round, but not as uncommon as you might think. By mapping out all the steps required to translate value creation for customers and the business into technology requirements, the framework provides a structure for a forward process. But it also enables reverse engineering should the circumstances require it.

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[156] How COVID-19 has pushed companies over the technology tipping point—and transformed business forever, McKinsey, 5 October 2020

Chief Data Officer (CDO)

The CDO is responsible for providing the different parts of the organisation with the data and insights they need. Their desired outcome is efficient, effective and low risk use of data. The key jobs they are responsible for are the creation of a data and analytics capability, its ongoing management, optimising its usage and ensuring its regulatory compliance (e.g. with GDPR)

In terms of your CX strategy, they will want to ensure that what they have built in terms of data and analytics capability is being used in an effective manner. Chapter 7 outlines the three high level questions that need to be answered for designing and delivering a compelling customer experiences and what insights are required for each one.

Not all of these questions can be answered via data and analytics – some require customer research and will come into the remit of the CMO. But clearly articulating the business-specific requirements for answering 'how well are we serving customers and how can we serve them better?' and 'how do we turn value created for customers into value created for our business?' will help the CDO to help you and make them look good in the process.

Chief HR Officer (CHRO)

The CHRO is responsible for devising the employee value proposition (salaries and benefits relative to alternative potential employers) and managing people across the employee lifecycle.

In terms of outcomes, achieving targets for recruitment, retention and redundancy (if required) will be their priority. Key jobs include salary band definition, talent identification, recruitment, onboarding, training, promotion, support, discipline and offboarding.

They will want to understand how you plan to deliver high levels of staff satisfaction to support both recruitment and retention.

Chief Customer Officer (CCO) or Chief Customer Experience Officer (CXO)

If there is a CCO or CXO in the organisation (that isn't you!) with accountability for all customer-facing operations, then they will be responsible for CX strategy. Hopefully this book will help you to help them create a compelling strategy and deliver a more strategic approach to customer experience by defining an end-to-end approach for translating business strategy into a differentiating customer experience.

11.Key takeaways

This book has provided you with a lot of information. It has gone beyond being a simple manual because its aim is to challenge (and hopefully inspire) as much as educate. It will be up to you to decide which parts you plan to use. But I think it is worth summarising all the key messages to help you remember them.

Hopefully this book has informed, challenged and entertained you. What I would like you to take away from reading it is as follows.

1. The evolution of marketing, and its abdication of responsibility for creating value for customers to create value for the business, has left a vacuum that customer experience can fill.

2. But customer experience has even less credibility with senior management than marketing due to its philosophical rather than commercial orientation, its deification of false grails such as customer-centricity and its failure to appreciate the importance of context and strategic fit.

3. The key to taking a more strategic approach to customer experience that will win points with the C-suite is developing a comprehensive end-to-end CX strategy. Unfortunately, what is advocated as part of CCXP training and codified by so-called CX strategy experts constitutes 'bad' rather than 'good' strategy, as defined by the strategy guru, Richard Rumelt.

4. The role of CX strategy is to translate business strategy into what gets done on the front line. Hence it needs to be grounded in the strategic challenges outlined by the CEO – the challenges the business needs to overcome – the strategic objectives that have been established to overcome these challenges and the business's intended point(s) of differentiation.

5. A good CX strategy will incorporate analysis to locate opportunities for creating value, design to unlock these opportunities and an implementation plan to ensure the value is realised.

6. The key output from the analysis phase should be a guiding policy – one that reflects the strategic objectives of the business, its intended differentiation and the role that customer experience plays in achieving these two things.

7. The guiding policy shapes the design of the experience – which customer jobs are supported and how the business helps customers complete these jobs. This can be achieved using customer journey mapping but an alternative (and better) way of doing this is to use Indi Young's mental models approach.

8. A key output from the design will be the definition of trigger points for the business to make an intervention. Messaging needs to be created for each trigger point to help the customer complete the job in hand and this messaging needs to be made available in all relevant channels.

9. The targeted experience will shape the capabilities required. A customer focus can be retained by translating customer jobs into business outcomes, then business outcomes into business jobs and finally business jobs into tasks. Business outcomes and business jobs should have KPIs and metrics attached so performance can be measured and performance gaps identified.

10. Capabilities are delivered by your operating model – processes, data, technology, people competencies, organisation (incorporating org design, collaboration and governance), culture and performance management. Some of these elements are substitutes for each other (people and technology) and some are complements (e.g. data and processes, data and performance management).

11. Capability gaps need to be translated into gaps in each of these dimensions so initiatives can be planned. Initiatives need to be broken down into work packages that have a measurable benefit attached. The best way to deliver initiatives will depend on the degree of learning required – Agile if outcome is known but the way of getting there is not, waterfall if both desired outcome and delivery steps are well understood.

12. All the way through the development of your CX strategy you need to be thinking about how you can sell it to senior stakeholders. To do so you need to develop empathy for these internal customers – identify the key outcomes they are after, the jobs they need to complete and how what you are proposing will impact what they are trying to achieve.

With that, I wish you good luck – both in terms of successful completion of your CX strategy and in your future career, which hopefully will take you to CEO one day.