

# Experiencing the Customer Revolution: How It Influences Strategy and Business Results

**Palladium**  
Executing Strategy

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Thanks to fiercely competitive markets and globally connected networks, customers are more powerful than ever and more vocal when they do not get what they want. In response, organizations must understand and leverage the “customer experience,” and so place the customer at the heart of all that they do. Data analytics help organizations truly capture and act upon the voice of the customer.

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Fully 60% of organizations believe that their customer value proposition is currently being challenged and 64% believe that the satisfaction of its customer base is unsustainable, according to [Palladium's 2014 Global State of Strategy and Leadership Survey Report](#), which received responses from almost 1300 organizations across the globe.

Despite awareness of stormy waters ahead, just 12% of respondents practice customer experience innovation – that is, placing the customer experience at the heart of everything they do and finding innovative ways to deliver products and services that enhance that experience. This statistic is particularly worrying in light of the fact that organizations that practice customer experience innovation through techniques such as customer co-creation<sup>1</sup> are 12 times more likely to be market share leaders and 37 times more likely to be top-quartile financial performers than their competitors.

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## UNDERSTAND THE CUSTOMER

In this fully connected world in which competitors emerge from surprising places with disruptive technologies, the competitive advantage has shifted from price differentiation towards truly understanding the customer and delivering to their specific needs.

A great example of the enormous power of this shift and its outcome is Alibaba, one of the world's largest online retailers, which describes itself as an online marketplace, a search engine, and a bank all in one place. Alibaba was founded in 1999 by a Chinese teacher, Jack Ma, whose ambitious dream was to implement e-commerce in the then very traditional Chinese market. His central tenet was unusual: "Customers first, employees second, and shareholders third." In a letter he submitted before the IPO on the New York Stock Exchange in 2014 (the largest US IPO on record), he discussed his ecosystem-based business model, writing, "We believe that only by creating an open, collaborative and prosperous ecosystem that enables its constituents to fully participate can we truly help our small business and consumer customers. As stewards of this ecosystem, we spend our focus, effort, time and energy on initiatives that will benefit the greater good of the ecosystem and its various participants. We can only be successful if our customers and business partners are successful."

Ma's approach aligns with the Palladium Execution Premium Process™ (XPP), which encourages organizations to manage strategy with a sophisticated cause-and-effect framework, rather than putting a singular focus on financial results.

Has it been successful? Transactions on Alibaba's online sites totaled \$248 billion in 2013, more than those of eBay and Amazon.com combined – and in a market that is still growing rapidly! Incidentally, on November 11, 2014, Alibaba reported \$9.3 billion in sales from its annual "Singles' Day" shopping event, the world's biggest online retail sales day, shipping 288 million orders in a single day – 43% of which were placed on mobile devices.

## WHAT IS CUSTOMER EXPERIENCE?

Alibaba puts the customer experience at the center of all that it does. Note that customer experience (CX) is not only about customer service or customer satisfaction, but is instead the sum of all experiences a customer has with a supplier over their relationship. A company's ability to deliver a great customer experience sets it apart in the eyes of its customers and increases "stickiness" – the customers' loyalty to the company.

The underlying logic is simple: organizations want customers to be loyal, thereby continuing to consume its products and services, even in the face of increasingly fierce competition. Customer behavior is driven by their attitude (e.g. loyalty). No company can directly change the attitude of its customers, but they can influence it by deeply understanding and managing the end-to-end experience. This approach is still not taken by many.

## THE DIGITAL REVOLUTION IMPACT

An increasingly interconnected world, coupled with mass adoption of social networks and smartphones, empowers exposure to information as never before. Consumers today are more knowledgeable than ever when they enter the sell process: they have already searched the net, learned about the technical attributes, compared prices, and read about the company's service reputation. Websites such as TripAdvisor even consolidate that information in one place. Moreover, consumers expect the company to know them and to offer personalized services, like when Netflix recommends movies.

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Quite simply, consumers today are spoiled for choice, they expect products or services that meet their specific requirements, and they make a lot of noise on online social networks if they do not get the experience they want. In the world of the internet, people are more willing to complain than ever before – and complaints can go viral!

This reality creates a new and powerful threat to organizations. In 2009, United Airlines shares dropped 10% after the release of a protest song by a Canadian musician whose guitar was broken during a flight with the company. United Airlines failed to evaluate the emotional significance of the guitar to that musician and thus did not respond correctly at the time. The song became an immediate YouTube hit and a public relations embarrassment for the airline. Previously, the conversation between supplier and customer was essentially one way and the customer had few options to air their dissatisfaction. Today, one disgruntled customer can have a devastating effect on an organization. It is important therefore to develop new ways of talking to and listening to customers.

## EMPLOYEES AS AMBASSADORS

In today's customer age it is increasingly evident that it is through empathy that organizations reach the heart of the customers and increase brand stickiness. Empathy is a vital aspect of CX. How can organizations truly care and give empathy? It cannot be simply faked by employees "wearing a smiley face."

Caring employees are increasingly a valuable asset of the organization, and unlike skills, attitude cannot easily be transformed or taught. Therefore, organizations must adjust their HR processes so that empathy receives much greater attention that it has historically. It is now a competitive differential.

Consider the US-based Southwest Airlines as one example of best practice. The organization recently launched new branding for their airplanes featuring a more prominent heart logo (a heart is placed at the center of the logo to emphasize the caring nature of the organization). "Our collective heartbeat is stronger and healthier than ever, and that's because of the warmth, the compassion, and the smiles of our People," said Southwest's President and CEO Gary Kelly in a heartfelt statement. "The Heart emblazoned on our aircraft, and within our new look, symbolizes our commitment that we'll remain true to our core values as we set our sights on the future."<sup>2</sup>

Caring is a cultural attribute that can be traced back to the airlines' founder, the legendary Herb Kelleher, who encouraged informality and wanted staff to have fun at their jobs. By creating an environment where staff pitched in wherever it was needed, Southwest achieved turnaround times less than half the industry average. But Southwest does more than that. Since they understand that employees are the airline's ambassadors and their attitude can be a key differentiator of the company, they hire for attitude. In their highly innovative hiring process, they conduct group interviews in which one by one, applicants are asked to come to the front of the room and tell everyone their most embarrassing life experience. The applicant sharing feels like he or she is being evaluated, but the interviewers are focusing on the audience. They are looking for empathy on the faces of the other interviewees.

## BREAKING ORGANIZATIONAL SILOS

Customer experience management requires adopting the customers' point of view, moving from organizational silos to the stages of the customer experience and customer lifecycle (from prospect to customer to perhaps leaving the company). It means that organizations should adopt an omni-channel approach: an interaction can start via one channel and continue via other channels (e.g. a customer checks loan conditions using a mobile app, then calls the call center to negotiate, and then signs the documents at a physical

branch). Although each sequence of operations is handled by various departments, the customer expects to get seamless customer experience with instant data transfer between interactions. Another example is a sales versus customer service interaction. Usually these two departments handle the customer in different stages of the lifecycle, but nowadays, when a company makes a sales call, it should be transformed into a service or a retention interaction if the customer is not satisfied. Company processes should be structured to optimize customer experience from his or her point of view, and not according to organizational silos.

## NEW APPROACH FOR THE VOICE OF THE CUSTOMER

So what is new? Companies are already well used to gathering information from focus groups when they launch new offerings and conducting periodic surveys to monitor customer satisfaction levels with service interactions. The concept of listening to customer feedback is not new (and was central to the Total Quality Management revolution of the 1980s) but it is fast becoming more proactive, intense, and closed-loop.

Modern VOC (Voice of Customer) processes proactively encourage constant feedback from the customer, at each interaction and through different channels. For example, a famous brand shoes chain encourages consumers to fill out a feedback form after each purchase by promising a chance to win a small prize. The process continues with analyzing the information and turning it into action for continuous improvement of the company – for example, new ideas for process optimization, product improvements, innovative products, and new services. An important step of the VOC cycle is to provide feedback to the customer on their impact and the resulting outcome. It opens a new dialogue with the customer, strengthens the relationship, and encourages future contribution.

Listening to the voice of the customer is more difficult for B2B2C organizations. They are more distant from their end consumers, with a potential for brand damage from their distributors. Nevertheless, VOC is equally important for creating brand loyalty. For example, L'Oreal US listens to its customers and communicates with them directly through a program called "The Voice of Beauty," which monitors what is being said in real time about its brands across social media. Via sentiment and text analytics, L'Oreal US gathers insights and generates fast feedback to the consumers and improvement opportunities.

## DATA, ANALYTICS, AND TECHNOLOGY PLAY A SIGNIFICANT ROLE

As consumers generate more data, smart, advanced data analytics provide significant benefits. As one powerful example, Starbucks found the sales of pastry were falling in its New York City stores. They bought GPS-generated location data from AT&T and employed a startup that helped track customers after they left the store. They found that the customers went to McDonalds, preferring a hot Egg McMuffin to Starbucks' cold baked goods. After understanding their customer behavior, Starbucks responded with its own breakfast sandwiches.

For any organization, the Holy Grail is complete, real-time information about the customer: personal information, purchases, preferred channels, experience with the company and with competitors, influence circles, intentions, and so on. Smart analytics applied to integrated external and company information can help companies predict what customers want, surprising them with positive customer experience. For example, Amazon's mission is "to be the Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices." Another example is Atom Bank, a fully digital UK bank which will be established in 2015. They want to predict customer future balance, offering context-based, relevant financial solutions (e.g. a loan due to future expense and negative account balance).

Such wide-scale processes cannot be executed without supporting technologies. New technologies enable capabilities such as real time data capture, text analytics, speech analytics, sentiment analysis, and sophisticated analysis of Big Data.

## A STRUCTURED APPROACH - CUSTOMER JOURNEY MAPPING

According to a survey performed among 2500 marketers, customer experience is the most exciting opportunity right now.<sup>3</sup> As companies become more customer-centric, methodologies and tools in this field become more mature.

In order to manage customer experience, a company must incorporate a structured approach, starting with the customer journey, a method to "step into the shoes" of the customers, understand their experience in the significant "moments of truth" with the organization, and understand their attitudes, behaviors, pain points, etc.

Keep in mind that not all customers are the same, so customer journeys are performed for each of the main customer segments. Customer journeys emphasize customer segmentation to make sure the best experience will be designed for customers according to their nature. For example, Vodafone identified "young, active, fun" as a customer segment. Such segmentation is based on smart data analysis and understanding the customers' preferences.

A graphical map (figure 1) shows the interactions that are meaningful for the customers from their point of view, incorporating their needs, expectations, and emotional experiences as they go through each step in the lifecycle. Combining customer emotions into a structured CX analysis is a relatively new approach and is one of the benefits of mapping the customer journey. By understanding customers from their point of view, organizations generate value – for the customer and for the organization.

Persona: Michelle, 45, digital customer



Figure 1: Customer Journey Mapping

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Through collaborative workshop methods that bring different parts of the organization together to create the map, all parties who relate to customer experience gain alignment, breaking organizational silos and increasing innovative thinking.

Customer journey mapping serves as powerful input for useful improvement initiatives. These initiatives can be strategic or tactical and should be treated according to XPP prioritization methods, i.e. by strategic fit to the objectives. However, looking at it from customers' point of view reveals innovative opportunities. For example, mapping children's experiences during hospital check ups pointed to fear as a significant emotion and led to designing an MRI machine decorated with Winnie-the-Pooh. By reducing the fear factor (a huge value for the customers), the hospital gained efficiency by reducing staff effort to calm the child, saving money on sedation drugs that were no longer needed, and shortening the idle machine time.

In an era when companies survive by their ability to maintain and increase their customer base, companies should transform themselves to manage their customer experience. By turning an intuitive subject into a structured methodological process, companies can improve their CX and create business advantage. The most successful companies of the future will be those that place the customer experience at the heart of what they do. For many, this will require significant structural, analytical and, most importantly, cultural changes.

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## REFERENCES

- <sup>1</sup>See Venkat Ramaswamy, Francis Guillard. Co-Creating Strategy with Experience Co-Creation. Balanced Scorecard Report, July/August 2008
- <sup>2</sup>See [http://www.underconsideration.com/brandnew/archives/new\\_logo\\_identity\\_and\\_livery\\_for\\_southwest\\_airlines\\_by\\_lippincott.php#.VGCP6PmUfOV](http://www.underconsideration.com/brandnew/archives/new_logo_identity_and_livery_for_southwest_airlines_by_lippincott.php#.VGCP6PmUfOV)
- <sup>3</sup>See <https://econsultancy.com/blog/64324-customer-experience-is-the-most-exciting-opportunity-for-marketers-infographic#.itcd7vwxf4ewgv>

## ABOUT THE AUTHORS



James Creelman, Manager, Knowledge & Research Center, Palladium Group, Inc. Based in Dubai, James has more than 20 years of experience as a consultant/trainer in enterprise performance management. James is the author or co-author of 24 books and major reports, including the books Risk-Based Performance Management: Integrating Strategy and Risk Management (2013), Creating a Balanced Scorecard for a Financial Services Organization (2011), and Doing More with Less: Measuring, Analyzing, and Improving Performance in the Not-For-Profit and Government Sectors (2014).

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Flora Lewin, co-founder and partner of B-Pro, initiated the company on grounds of her vast and varied professional experience. She has over 20 years of experience in information systems and organizational computing, leading technology innovation and related strategic changes in large and complex organizations. In addition to consulting, Flora is a lecturer and a coordinator of professional communities, focused on topics of information and big data in organizations.



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Keren Shaked leads and manages projects with a deep understanding of business strategy, specializing in customer experience strategies (like CEM, CRM, VOC) in customer centric organizations and customer analytics. Before joining B-Pro Keren was a partner in Deloitte consulting Israel for 10 years. Keren has vast experience working with diverse aspects from strategy and vision definition to analyzing process changes and required technological implications. She works with leading companies in the financial sector, telecom sector and large public sector organizations.

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