Implementing and Measuring a Customer Centricity Framework

How organizations with complex consumer databases and multiple touch points can improve customer retention and increase sales by developing an internal framework dedicated to enhancing the overall customer experience.

Developed by Kobie Marketing, in conjunction with Retail TouchPoints.
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Delivering Superior Customer Experiences

Without a framework to create, continuously evolve, and ensure a unified customer experience, a company’s best intentions in marketing, loyalty programs, employee involvement, product development and customer service can actually have a negative impact. It has been estimated that poor customer experiences undermine these investments and costs companies up to $100-billion annually in lost purchases and defections to the competition.

The key to successfully managing a customer experience initiative is the deliberate development of a Customer Centric framework. Customer Centricity has been defined as “An approach to doing business in which a company focuses on creating a positive and consistent consumer experience at the point of sale, through the call center, online and via all communications, including mobile, email and print. A Customer Centric approach can add value to a company by differentiating themselves from competitors who do not offer the same experience.”

A Customer Centric framework requires connectivity across every channel of the organization, allowing the consistent delivery of the most appropriate level of service, benefits, and customer care to each segment of the customer base.

A positive customer experience also translates into greater customer loyalty. Forrester Research, in Customer Experience Boosts Revenue (June 22, 2009), has shown a high correlation between customer experience and three key elements of loyal behavior: willingness to buy more, reluctance to switch, and likelihood to recommend.
Customer Experience strategies, just like other business strategies, are only acclaimed if they are successful. But success cannot be assumed because it feels right. It must be measurable to matter. The Customer Centricity Quotient is a framework and methodology to help with the measurement of your customer experience efforts using criteria such as: collection of customer data, customizability of offers, campaign results measurement, tracking changes in behavior, profitability of customer segments, and promotions that are personalized for customers.

This paper will illustrate best practices for building a Customer Centric organization that is industry-neutral, as well as detail strategies that are specific to the retail sector. The goal is to illustrate how brand leaders in a variety of industries holistically view and manage the customer experience—and to understand, design, and continuously invest in engaging experiences to drive sales, loyalty, and market growth.

Organizational Readiness

The Customer Experience is the responsibility of everyone in the organization and not just a marketing promotion. The best organizations make a cultural shift that drives customer experience responsibilities throughout all areas of the company—from the cashiers to the website and from the call center to monthly statements.

“For ultimate success, the Customer Experience initiative must be championed from the top of the organization,” says Carlos Dunlap, Kobie’s Practice Director of Loyalty Consulting. “That way, all company associates understand their roles and are measured and held accountable for consistently delivering the appropriate experience to the right customer at the right time. Real customer experience management mandates that the organization treats each segment of customers in a unique manner. And to accomplish this rewarding goal, the organization must be prepared, aligned and committed from top to bottom.”

In his blog Experience Matters, Bruce Temkin, a vice president and principal analyst at Forrester Research, notes that “Given that most people want their company to better serve customers, a clear view of what customers need, want, and dislike can align decisions and actions. If everyone shared a vivid view of the target customers and had visibility into customer feedback, then there would be less disagreement about what to do for them.”

Organizational Readiness Checklist

- Executive sponsorship to ensure commitment from key stakeholders
- Success metrics have been identified in order to gauge milestone achievements and overall results
- Departments are aware, trained and tightly aligned to deliver a consistent experience at the moments that matter
- Each employee has a measurable customer experience objective that is measured and reviewed quarterly (or more frequently)

Data Readiness

Before suburbanization and “cookie cutter” shopping malls, local store-owners knew
their customers’ behaviors and attitudes and anticipated their future needs, as well as those of their families. “Customer data” resided in the heads of the store owners and shopkeepers.

However, as stores and the cities that house them steadily grew larger, intimate relationships between store and customer and the personal touch of the shopkeeper were lost. Yet, an understanding of the customer is still essential to providing a positive customer experience. Retailers are realizing this need, according to the recent benchmark report “CRM and Loyalty 2009: Increasing Relevance to Drive Customer Demand” from Retail System Research. The benchmark study found 89% of retailers agree that building deeper relationships with existing customers is key to success and 75% agree that personalized communications are critical to winning and keeping customers.

“Without truly understanding your customer’s behaviors, likes, and dislikes related to your products, a customer will never be at the center of your efforts,” says Patrick Venker, Director of Strategic Services for Kobie. “The only way is to gather, store and analyze data on the customer and then deliver the right experience at the right time.”

Of course, it is no longer feasible for individuals to maintain information about all of their customers. Data warehouses need to be constructed and maintained to keep track of transactions, account profiles, demographics, product attitudes and usage. “Organizations must proactively identify and seek out sources of this data as they pertain to their business,” says Kobie’s Dunlap. “Without it, they will not be able to establish a relationship and a dialogue with their customers.” In addition, collecting customer data shouldn’t be a now-and-then event, but rather an automated process that can feed real-time intelligence.

According to Internet Retailer, FreshDirect, an online grocer for the New York City metropolitan area, is boosting sales by combining data from customer surveys with web site analytics on shopping patterns. By analyzing survey data on household demographics with online shopping patterns, FreshDirect can display more targeted promotions. “We can be more selective in the types of products we promote, and figure which ones to give more prominence on our site,” says Dave Gerridge, project manager of web site analytics.”

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- Bruce Temkin, VP & Principal Analyst, Forrester Research
In a 2008 study titled Customer Feedback Management: Mind if I Ask You a Few Questions?, Aberdeen Research concluded that today’s companies “have no choice but to actively encourage customer feedback and to treat customers as strategic assets in the incessant quest to improve operations, marketing, research, products development and the overall customer experience.” Aberdeen says customer feedback initiatives can help companies retain existing customers, attract new customers and identify new revenue sources.

**Customer Data Checklist**
- √ Transactional level data for testing and modeling
- √ Summary tables of transaction data for quicker analysis processing
- √ Historical data (at least 18 months)
- √ Other class of trade data/competitive data
- √ Survey data of customer shopping experience
- √ Preferred payment methods
- √ Use of and interest in discounts and promotions

**IT Readiness**

It’s one thing to procure the database hardware to store all of this customer data, but formulating and distributing out as usable information is another proposition altogether. An organization’s IT department must be ready to load, maintain, validate, and troubleshoot raw data, and also provide the resources—in headcount, database architecture, and software—to give users unfettered access to the data. IT must be available to users when questions and issues arise and must be able to respond to changes and new requirements in a timely manner.

“Without this responsiveness,” points out Dunlap, “the path to customer knowledge becomes a long uphill climb rather than the sprint business leaders want and the marketplace demands. Today, technology can enable almost any relationship, whether in-store, electronic, or mobile. This includes utilizing a proprietary or outsourced interactive, communications/loyalty/engagement platform. There are no more excuses for organizations to not know their customers and in turn treat them according to a combination of their value to the organization and their desires from the brand.”

The final step in IT readiness is to provide Customer Experience program managers and employees access to the data they need through current dashboard updates and other reporting tools that allow them to take advantage of changes in behaviors, new opportunities and gained insights.

**IT Readiness Checklist**
- √ IT department integrated into key marketing efforts with dedicated staff
- √ Organization has invested in appropriate hardware, software, and resources to support better understanding of its customers and delivery of its products/services
- √ Program managers have access to user-friendly GUI tools that allow them to access information efficiently
- √ IT department supplies tools that allow all customer-facing employees to have insights into customer value and past behaviors in the moments that matter
Analytical Team Readiness

Once the IT team has provided access to customer data, it's up to the analytical team to extract the maximum value from it. Not only does the analytical team need to understand the dynamics of the company's underlying business, but it must also understand how to use complex statistical techniques and software. This team is responsible for assisting with customer experience program design, tracking milestone achievements, tracking behavioral change of both customers and employees, and determining financial impacts to the company's bottom line.

The analytics team—resourced within the company or outsourced to a capable partner—should work hand-in-hand with (or be resourced within) Business Intelligence to look at behavioral trends and identify and communicate the most valuable segments of customers, grouping them based on behaviors and attitudes. The information extracted by the analytics team enables the company to deliver customized offers and personalized promotions, track behavior, and determine campaign ROI.

1) Customized Offers and Personalized Promotions. Start by identifying groups of customers and how they should—or even shouldn’t—be communicated to with the goal of increasing their dollars per transactions, overall spend, and profitability to the organization. This analysis is important to the customer experience because marketing dollars that may have been spent on customers who would not have responded in any positive manner can be spent instead on more valuable customers to enhance their experience. Increased communication and increased incentive values enrich the customer experience. "Once customers are in your database, you can begin to customize your offers to this group because you know them better as a result of the relationship you have defined through your data analysis," points out Venker.

Personalized promotions take customized offers a step further. While personalized offers can be more expensive to produce, the results may be worth the effort. In a study by the Direct Marketing Association (DMA), the results of well-executed, personalized communications were “stunning.” According to the DMA, “Sellers commonly experienced, and continue to experience, a five to ten fold increase in response and conversion rates based on personalized

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- Carlos Dunlap, Kobie’s Practice Director of Loyalty Consulting
communications. When print, e-mail, Web and telemarketing are combined in integrated, multi-channel campaigns, the results are even greater."

Retail leaders are using real time data and intelligence to segment and target their best customers, and then deliver personalized offers that are relevant to the customers’ past purchases. This kind of targeted, relevant promotion—which would have been impossible only a few years ago—is fast becoming the norm. dunnhumby’s work with Kroger has become the industry model of how this can impact top-line sales.

2) Behavior-based Tracking. Just because sound segmentation practices and rigorous financial modeling has been employed, does not mean our customer experience efforts are complete. “Even though you have gone to great lengths to introduce a best-in-class loyalty program, there will always be changes in the marketplace,” says Venker. “Market dynamics that did not exist when the program was conceived may now affect the program outcome.” As a result, the Analytics Team must maintain tracking and reporting initiatives that routinely monitor program activity and marketplace environmental shifts that may impact the customer experience strategy.

**Behavior-Based Tracking Checklist**
- Evaluate what customers say versus what they do
- Focus on top spenders, keeping Pareto Distribution (80/20) in mind
- Identify top opportunity customers
- Identify “most likely” buyers/converters

3) Campaign ROI. The ability to measure and manage promotional offers in near real time is an essential part of leveraging your Customer Experience efforts. The Marketing M.O. website points out that “Marketing campaigns are investments. And like any smart investment, they need to be measured, monitored and compared to other investments to ensure you’re spending your money wisely.” That’s why it’s critical for the analytics team to set up testing scenarios and identify the incremental volume that results from each campaign being evaluated.

Typically, ROI equals total gross profit minus the total cost of the marketing program (investment) divided by the total cost of the marketing program. Obviously, the goal is usually to end up with a positive ROI. But, a negative ROI may be acceptable if your objective was increasing awareness or if you’re running a loss leader campaign for one product to maintain purchasing of others.
Marketing/Communication Team Readiness

The Marketing/Communications Team utilizes the insights gained from the Analytics Team to craft messages based on opportunities identified with each segment of customers. More advanced segmentation that includes attitudinal attributes will allow messaging to be enhanced as it relates to how specific segments make their buying decisions: logical, emotional, or vanity. Similar to the overall strategy, results of communications must be projected and tracked to measure the effectiveness of the campaign. However, the real value is determined not by a response rate, but instead by the cumulative effects of multiple messages as manifested by behavioral changes of the targeted segments.

“The customer experience is improved through enhanced segmentation as the organization’s budget is optimized,” says Kobie’s Dunlap. “More program dollars can be spent against customers that will participate and eliminate wasting budget against customers who will not.” Remember: All customers are not equal— it really is okay to not market to certain segments of customers.

For example, a recent analysis of over two million grocery shoppers by Concept Shopping, Inc. shows that the top ten percent of stores’ customers visit the store more than twice a week, spend over $39 per visit, and represent nearly 40 percent of the store’s total sales. The study, which was cited in a story by BusinessWire, also found that these most valuable shoppers tend to remain very loyal to the store, with 95 percent continuing to shop there throughout the year. Conversely, only 34 percent of the store’s worst shoppers—who visit the store less than once a month and spend only $9 per visit—remain customers.

Voice of the Customer

As many studies have demonstrated, there is a divide between the experience organizations believe they are delivering and the experience the customers believe they are receiving. Baine concludes that, 80% of companies believe they deliver superior levels of service, but only 8% of their customers agree.

Client surveys report with increasing frequency that the customer has been lost in the equation. Determining what is of utmost importance to the

Sellers commonly experienced, and continue to experience, a five to ten fold increase in response and conversion rates based on personalized communications.

- Digital Marketing Association
client is key in closing this gap. As a general rule, it’s the customer’s perspective that ultimately matters. Therefore, routinely capturing customer feedback is a critical element to measuring the success of your customer experience initiative. This feedback, like the actual experience delivered by the company, should be gathered using all touchpoints with the organization’s brand, creating a true dialogue with the customer.

**Execution/Fulfillment Readiness**

A great strategy can be wasted by poor execution. A best-in-class customer experience strategy should be implemented based on what’s good for the customer—which is not necessarily what’s easiest or less costly for the organization. A Customer Centric approach will generate significantly more engagement than a product-focused strategy. Customers understand the difference and are typically not interested in what’s best for the company if there’s no benefit for them.

When it comes to launching or migrating an existing customer strategy or loyalty program, it’s imperative to migrate an existing program and deliver on the strategy without negatively influencing the customer’s experience. Likewise, program launches must be process-driven and deliver improved and uninterrupted customer experiences that deepen members’ loyalty to the brand and not to the program.

A major element of delivering on the customer experience is the benefits offering and the claim/redemption process. When determining what benefits to offer and how the organization will provide them, think about it from the customer’s perspective. Make sure the offer or rewards are appealing enough to drive the desired behavioral change. With time and experience, more efficient means of delivering the overall customer experience will provide the organization with costs savings without decreasing the value to the customer.

### Measurement Criteria

The topics discussed in this white paper are foundational to the Kobie Marketing Customer Experience philosophy. Regardless of how you resource it (internally, outsourced partner or a combination of both) or where you are on the Customer Experience continuum, you have the ability to significantly and positively influence the overall performance of your organization by focusing on your customers in order to see your business more clearly.

The following framework can be used to analyze your company’s current customer centricity quotient—from Organizational Readiness and Voice of the Customer mechanisms to IT support and Analytics Preparedness.

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**Execution/Fulfillment Readiness Checklist**

- Mechanism in place to consistently obtain feedback from our customers
- Company makes a consistent effort to promote two-way dialogue in all campaigns and all channels
- Customer feedback is captured and incorporated into the marketing database and customer profiles
- Customers always have access to a “live” employee within two minutes of request
1. Organizational Readiness

- We have executive sponsorship to ensure commitment from key stakeholders.
- Success metrics have been identified in order to gauge milestone achievements and overall results.
- Our departments are aware, trained and tightly aligned to deliver a consistent experience in the moments that matter.
- Each employee has a measurable customer experience objective that is measured and reviewed quarterly (or more frequently).

Enter Category Points:

Please rate your capabilities based on your performance in each area category

Max 20 points

2. Data

- Our company has and can access at least 18 months of transaction data and can tie behaviors to unique customers.
- We have customer demographic/profile/lifestyle data that is linked to individual customers.
- Our company has conducted primary research to measure customer attitudes and better understand their needs.
- We have customer experience metrics in place, routinely monitor progress and periodically enhance the process.

Enter Category Points:

Please rate your capabilities based on your performance in each area category

Max 20 points

3. IT Support

- Our IT department is integrated into our key marketing efforts with dedicated staff.
- We invest in appropriate hardware, software and resources to support better understanding of our customers and delivery of our products/services.
- We have access to user-friendly GUI tools that allow program managers to efficiently access information.
- Our company’s IT department supplies tools that allow all customer-facing employees to have insights into customer value and past behaviors in the moments that matter.

Enter Category Points:

Please rate your capabilities based on your performance in each area category

Max 20 points

4. Analytics Team

- We have a business intelligence/analytics department to focus on customer insights.
- Our company uses a standard process to develop analytical products to deliver insights and segmentation.
- We track marketing program and campaign results for ongoing reporting, success measurement and enhancements of the overall customer experience strategy and the campaigns.
- Our marketing, program and attitudinal data are integrated into the customer transactional data for more comprehensive value analyses and segmentation.

Enter Category Points:

Please rate your capabilities based on your performance in each area category

Max 20 points

In order to gauge how your organization scores versus industry benchmarks in each of these areas, we encourage you to take a short Benchmark Assessment. By scoring your organization on a 1 to 5 basis across these various areas, you will identify areas which may need more concentration and could be holding back your overall strategies for building a more Customer Centric company.
5. Marketing/Communication Team

☐ Our company routinely projects campaign results and identifies success metrics, prior to implementation.

☐ Before we initiate customer campaigns and programs, we first internally communicate program and campaign objectives to ensure employee understanding and participation.

☐ Our customer promotions and marketing campaigns are targeted and personalized.

☐ We ensure our marketing messages and offers are consistent across all channels.

Enter Category Points: [ ]

Preparedness:

Category: Excellent
Points: 19+

Category: Good
Points: 16 to 18

Category: Average
Points: 12 to 15

Category: Poor
Points: 8 to 11

Category: Need Help
Points: < 8

Customer Centricity Levels:

- Culturalization - ingrained in corporate culture
- Actualization - strong levels of execution
- Assimilation - overlaying/testing ideas
- Inquisition - discovering ways to engage customer
- Comprehension - identifying need

6. Voice of the Customer

☐ We have a mechanism in place to consistently obtain feedback from our customers.

☐ Our company makes a consistent effort to promote 2-way dialogue in all campaigns and all channels.

☐ Customer feedback is captured and incorporated into the marketing database and customer profiles.

☐ We have a clear understanding of customer desires and satisfaction.

Enter Category Points: [ ]

7. Execution/Fulfillment Readiness

☐ Customers have access to live employees within minutes of their request.

☐ Appropriate application of services/benefits are applied to the appropriate segments of customers.

☐ Customer feedback/responses are incorporated into the operational plan to improve the customer experience.

☐ Consistent delivery of communications/rewards is applied to deliver on the organization’s promise.

Enter Category Points: [ ]

Scoring

<table>
<thead>
<tr>
<th>Category</th>
<th>Preparedness</th>
<th>Customer Centricity Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>19+</td>
<td>135+</td>
</tr>
<tr>
<td>Good</td>
<td>16 to 18</td>
<td>110 to 134</td>
</tr>
<tr>
<td>Average</td>
<td>12 to 15</td>
<td>90 to 109</td>
</tr>
<tr>
<td>Poor</td>
<td>8 to 11</td>
<td>70 - 89</td>
</tr>
<tr>
<td>Need Help</td>
<td>&lt; 8</td>
<td>&lt; 70</td>
</tr>
</tbody>
</table>

Cumulative Score: [ ]

Max Score is 140

Once you have completed the Customer Centricity Quotient Scoring Model, we would be glad to have one of our internal market experts schedule a call to walk you through how minor adjustments to different areas of your business can yield significant results.
Conclusion

Customer Centricity is not an initiative that can be limited to the call center or service desk. For companies to build long-term loyalty and gain increased share of wallet with their customers, Customer Centricity must be integrated into every channel and touch point and ingrained into every area of the business.

The customer experience is emerging as the top competitive differentiator in many industries. Illustrating this point, the Cross-Channel Customer Loyalty report from Aberdeen Group, found that best-in-class organizations are three times more likely than average firms to utilize customer data to deliver personalized promotions across all channels for a higher share of customer wallet.

The framework introduced in this paper provides a structure for companies to inventory their current capabilities around launching and measuring the impact of loyalty programs and other customer experience initiatives. At the same time, this framework will likely reveal cracks in the foundation for some companies which, if not fixed at the front end, could limit the success of longer-term goals.

It’s critical to keep in mind that customer centricity is an ongoing journey as opposed to a destination. As new sales and marketing channels like social and mobile emerge, they will require further data collection and integration, as well as new platforms to deliver and analyze offers and track behaviors.
About Kobie

Kobie is an award-winning loyalty marketing firm with nearly two decades of experience in managing loyalty programs; developing award-winning marketing campaigns; and developing robust and innovative loyalty technology platforms that engage customers and build brand loyalty. Kobie has experience with a diverse client base, including Verizon, Bank of America, MBNA, TracFone, Royal Bank of Canada, Barnes & Noble, Cingular, Samsung, Advanta, Avon, and CBS Sportsline. Visit Kobie at www.kobie.com to find out more about this unique and innovative company.

About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. Tapping into the power of the Web 2.0 environment, the Retail TouchPoints network is made up of a weekly e-newsletter, category-specific blogs, twice-monthly Special Reports, web seminars, benchmark research, virtual events and a content-rich website at www.retailtouchpoints.com.