



PERSPECTIVES

VOL. 06

THE RESPONSIVE ENTERPRISE

CUSTOMER EVOLUTION: OUTSIDE IN TRANSFORMATION

TATA CONSULTANCY SERVICES

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A WORD FROM THE CEO

Greetings

When it's all said and done, customer satisfaction is the ultimate measure of an organization's health. It's what we use at TCS to gauge the true condition of our business. A company's highly satisfied customers will stay customers, and recommend to their peers that they also become its customers.

The 'customer experience' is what I am delighted to present you with in our sixth volume of *Perspectives*. The articles in this volume explain why organizations need to stay laser-focused on the total customer experience they deliver, which is what happens long before and well after the sale. Based on the work of our professionals in several leading organizations of the world, we discuss what can be done to deliver a stellar customer experience.

We also outline what it takes for a large company to continually update its business model and deliver the experience customers want. Building such an innovative and agile company—a responsive enterprise, as we refer to it—has become essential.

I believe that these articles will help you and your organization in the continual journey to remain a customer-centric and responsive enterprise.

N. Chandrasekaran
CEO & Managing Director



A WORD FROM THE EVP

There are two aspects to building a business that delivers a great customer experience. The first is knowing exactly what kind of experiences are desired by its customer segments. That knowledge today is abundant and growing by the minute. It is coming from social media and mobile phones, digital video and sensors attached to products, and many other digital sources.

That is the outside-in part. It is about making sense of the external revolution under way in how customers want to do business, and designing experiences to meet those demands.

Each article in this volume of *Perspectives* addresses a major facet of the outside-in part of building a customer-responsive enterprise. We lay out ways to design experiences that are both highly productive for customers and highly profitable for their suppliers.

The second aspect of delivering a great customer experience is the inside-out part. That is the internal revolution companies must undertake in their operations. It calls for a rethink in the way they design business processes, organize IT systems, define jobs, and build the skills to master those jobs. That will be the focus of our next volume of *Perspectives*.

J. Rajagopal

EVP & Global Head, Consulting (GCP)

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The Responsive Enterprise

Improving the Customer Experience Forever



Authors

Tonya McKinney

Principal and Head—Customer Experience Solutions,
Global Consulting Practice

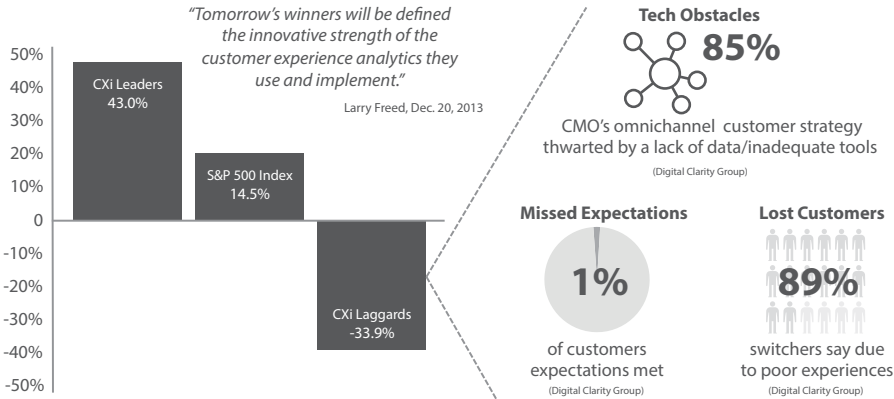
Introduction

'We have entered an era of constant change.' Yes, it has been said thousands of times, but what is different now? The rapid evolution combined with convergence of digital technologies. They are forcing companies to rethink their strategy and how they execute every year now. In the last few years companies have been consumed with trying to understand, apply, and manage social media, customer demands for mobile interactions, and the overflow of Big Data. Meanwhile, new trends and potential disruptors are reaching their tipping points.

In the middle of this constant technology and culture change, companies are trying to improve or recapture their competitive position with new business strategies. While this volume of *Perspectives* focuses on strategies for revamping the customer experience, many businesses are embarking on other large-scale, high-cost strategies. They range from reshaping an industry through 'blue ocean' ecosystems to overhauling business models. With the new wave of digital disruption, how do companies ensure their strategies are relevant?

While technology and market trends cycle faster, we saw during the first wave of digital disruption that many companies' strategy development and execution approaches couldn't keep pace. They were too slow to recognize relevant threats and opportunities, create and iterate strategies, and implement strategic plans. Historically companies are accustomed to laying out a business strategy and plan that takes years to execute. Today they must become responsive enterprises—companies that can sense and respond to the market as quickly as the market changes.

Why Companies Are Creating New Customer Experience Strategies¹



Customer experience has become a competitive advantage. Companies that excel at customer experience perform better in the market. Companies with poor customer experience ratings often struggle with implementing the technology needed to execute their customer experience strategies, and the results are unsatisfied customers and high churn.

Source: Forrester Research, "The Business Impact of Customer Experience"

¹ Watermark Consulting blog post, the firm tracked stock market performance from 2007-2012. It categorized 'Customer Experience Leaders' as the top 10 rated public companies in Forrester Research's 2007-2013 Customer Experience Index studies, and the bottom 10 as the 10 lowest-rated companies, 2013 Dec, 2014 Sept., <http://www.watermarkconsult.net/why-Watermark.html#Loyalty-Lift>

A responsive enterprise senses the market by getting constant, actionable insight at all levels. It is designed to respond, meaning it can quickly iterate, refine, and execute strategic plans based on that insight. The latter requires companies to change systems, devices, data, process, suppliers, even people, very quickly.

Companies are improving their customer experience ‘sensing’ with ‘customer 360’ programs, social analytics, and other Big Data efforts. But the biggest challenge is becoming a truly agile enterprise that can act quickly on this insight. Let’s explore what is required to become a responsive enterprise.

Responding to the Next Wave of Digital Disruptors

No industry is in stasis. Even if you have strategies to manage the last wave of disruptors—social, mobile, Big Data, and cloud-new disruptors are emerging. We expect the next wave to have even greater impact on customer experience. As with any discussion involving digital technology, let us keep to the tradition of word-like acronyms and call this next wave Sensors, Wearables, Artificial Intelligence, Robotics, Image Analytics (SWARI).

Companies must quickly evaluate and factor this next wave of digital technologies into their customer experience strategies. Opportunities abound:

- **Sensors** connecting machines and even non-mechanical objects in a rapid manifestation of ‘the Internet of things’. Sensors on products can give unprecedented amounts of low-cost feedback on how customers actually use products. They could even compensate for some product inadequacies. Consider a lawnmower manufacturer that must get the latest mower model to market but the starter design is less than intuitive. Redesign and remanufacture will take too long and cost too much. A sensor add-on could alert the company to call a customer after six unsuccessful attempts to start the mower and guide him through the process.
- Consumer adoption of **wearable** technology—which might quickly become BYOGG (Bring Your Own Google Glass) in the workplace. Gartner expects wearable technology to boost the field service industry’s profits by \$1 billion a year by 2017.² Are your employees and customers ready to engage with you via wearables?

² Gartner press release, “Gartner Says Smartglasses will Bring Innovation to Workplace Efficiency,” 2013 Nov, Sept 2014, <http://www.gartner.com/newsroom/id/2618415>

■ **Artificial Intelligence (AI)**

could provide some services and experience better than humans can. Microsoft, Apple, and Google are developing a more 'human' virtual assistant.³ But will AI be considered 'robo-calling' even if it gives customers faster, smarter help with better customer satisfaction scores than a human assistant?

■ **Customer-facing robotics**—the

convergence of AI and robotics will bring widespread application of **robotic automation** to customer experience. Today robots can do everything from help you find products on the shelf to drive cars. How will a robot service industry impact productivity, staffing, and brand experience? For instance, self-driven cars will alter the taxi industry, fleet management, insurance costs, liability, and business travel.

■ **Advanced image analytics** are rapidly improving and entering mainstream use. Automated ways to analyze facial emotions from pictures and video are here today and may

revolutionize customer research.

Imagine that you skip the surveys and just 'read' how customers respond to your new store design directly from a store video. But are you ready for new questions about intellectual property and customer privacy with image analytics for pictures and videos? Do you have the right to map and store customer faces?⁴

Eventually, emerging SWARI trends will start to converge. When Amazon's delivery drone analyzes fly-over data of my house, I'll start getting POD (Point-Of-Delivery) offers of grass fertilizer and self-tanner. When Mom's smart-house tells my automated assistant Malcolm how much she misses me, and Malcolm programs a trip to Mom's house into my smart car, overriding my Saturday morning Starbucks run in the best interest of my social/mental health. . .well, Malcolm and I will be having a serious human-to-AI talk. And while a consumer's challenges with digital convergence can be amusing, the business's stakes are higher.

³BBC News, "Artificial Intelligence: How to turn Siri into Samantha," by Leo Kelion, 2014 Feb, Sept 2014, <http://www.bbc.com/news/technology-26147990>

⁴BBC News, "Targeted real-life adverts know who you are," by Alex Hudson, 2013 July, Sept 2014, <http://www.bbc.com/news/technology-23425297>

One at a Time Please! No Single Threaded Change

Most large enterprises are accustomed and designed by default to manage one major business impact at a time. Companies managed the shift from mainframe to distributed computing, the advent of World Wide Web, Y2K, and the tech bubble collapse. But they managed them one at a time. Every other IT project was on hold during Y2K. Very few companies were innovating new tech when the bubble burst (although this started the next wave of digital disruption). Imagine if ALL of these shifts and trends happened at once?

We just experienced this level of convergence with social, mobile, cloud, and Big Data. Because companies tend to have a single-threaded approach to transformation, that convergence, combined with a recession, was catastrophically disruptive to many. Amazon and retail, the dying branch in banking, e-books and publishing we all know these digital cautionary tales and more are coming in the next wave of disruption.

Many companies are planning 'digital transformations' and installing new social, mobile, cloud, Big Data capabilities across the organization, or 'customer-centric transformations' that focus the entire organization on customer experience. But when these transformations are complete and the five new SWARI forces hit then what? Another big bang transformation cycle?

Learning to Juggle: Increasing the Capacity for Business Response

As we noted, the pace of technology innovation, which in turn sped up time to market and the ability and willingness of society to adapt and adopt, is cycling much faster. The new normal is MULTIPLE trends constantly changing industries and organizations.

Companies need to transform to become responsive enterprises. That should be the goal of your transformation initiative. Organizations must re-create their business models to be responsive and agile. A responsive enterprise is always evolving to meet market demands and opportunities.

Responsive Requirements: The Need for Speed and Customer Insight

In our recent TCS Global Trends study, we asked customers what they want to achieve or improve as a result of digital initiatives. Twelve of 27 responses related to customer experience with 'speed' as a persistent theme:

- Monitoring how customers use a company's offerings to identify improvements (product, service offering).
- Making software-related improvements to offerings while customers are using them (product, service offering).
- Offering a preventative maintenance service (product, service offering).
- Enabling customers to download offerings online (product, service offering).
- Enabling customers to make our products at their site of business (for example through 3D modeling) (production).
- Tailoring offerings to smaller segments (production).
- Tailoring pricing (marketing and sales).
- Enabling automatic re-ordering (marketing and sales).
- Creating new online channels for distributing products (marketing and sales).
- Helping customers get more value from offerings (for example to use more features of the product) (customer support).
- Improving customer assistance when products, services are not working (post-sale customer support).
- Creating new online (mobile, social) channels of support (post-sale customer support).
- Gaining a deep understanding about why customers choose our offerings over the competition's in order to provide the right design, features and functions (R&D).
- Making much faster changes to products, services or invent new ones faster (R&D).

'The Road to Reimagination: The State and High Stakes of Digital Initiatives,' TCS Global Trend Study—July 2014.

To become responsive enterprises companies must address two imperatives:

- Transforming from the *outside in*—
evolving to sense the customer, market, and disruption faster
- Transforming from the *inside out*—
evolving the operational model to quickly capitalize on the insights

Customer Evolution: *Outside In* Transformation

“Customer experience goes to the heart of everything you do: how you conduct your business, how your people behave when they interact with customers and each other, and the value you provide.”

—Harley Manning, “You Are In The Customer Experience Business, Whether You Know It or Not,” *Forbes*, Aug. 28, 2012

Manning’s book, *Outside In: The Power of Putting Customers at the Center of Your Business*, was one of the first to link customer experience to business performance. Manning pointed out that customer experience is not just a marketing initiative; it is a business discipline. It is a foundational capability because customers are always evolving. Their rapid adoption of innovations makes them a disruptor in and of themselves. They are the most important disruption on which companies should focus. What else DOES a responsive enterprise respond to?

But most companies are aware of customers only through static data sets of demographics; staccato spurts of surveys, focus groups, and quarterly reports; and sometimes even intermediaries (for example independent insurance agencies). Customers do not wait for you to understand them. That is not how loyalty works. They go to brands that do understand them.

Developing an insight-driven customer experience strategy and monitoring system—and employees attuned to that feedback—ensures your company can constantly sense and respond to change and opportunities in your customer and market base. After you have agile operations in place (below), the customer-centric focus guides your business response system.

Operations Evolution: *Inside Out* Transformation

Two factors are responsible in those tales of disruption:

1. Companies failed to recognize the disruption threat at all or, if they saw the threat, did not perceive it was significant enough to alter the way they did business.
2. Many companies that did perceive the threat still could not respond fast enough or to the extent necessary to prevent erosion of their market share and mindshare.

Book publishers and book retailers are classic examples of these two failures at work. Publishers first downplayed the impact of e-books. But when the market for e-books grew, publishers still failed to appreciate the size of the threat. Most chose to believe the most conservative predictions, which ranged around 15 percent adoption of e-books by 2015. In February 2013, e-book sales had peaked for the year at 31 percent.⁵

Book retailer Barnes & Noble did see the disruption opportunity coming and launched the Nook in 2009. But by February 2013, the company warned of a double-digit sales decline from the previous year.⁶ The Nook case highlights how the company struggled to sense and respond:

- The Nook did not meet or exceed customer expectations (Sense).
- It trailed the competition: Amazon's Kindle reader (Sense and respond).
- B&N could not respond as fast as Amazon, whose e-book reader came to market two years earlier (Respond).

⁵ Statista. E-book sales as a percentage of total book sales in the United States from Jan. 2012 to March 2013, 2014, <http://www.statista.com/statistics/234102/e-book-market-share-in-the-united-states/>

⁶ Bgr, "Nook's death spiral and Kindle's triumph," By Tero Kuittinen, 2013 Feb, Aug 2014, <http://bgr.com/2013/02/14/nook-sales-analysis-kindle-327367/>

To become a responsive enterprise, companies must create an agile operating model. They need people, processes and technologies that can adapt to any change in customer, market, society, or ecosystem. What's key to such agility: a culture that embraces digital technology. You could call it having 'digital DNA'.

Conclusion

The strategy to enable all strategies—customer experience, ecosystem redesign, agile operations, or any other—is to become a responsive enterprise. Companies that master the ability to rapidly sense and respond to relevant changes in customers, markets, and technologies can adapt to any market dynamics.

The Fourth Listening Post

Using Social and Other Data to
Revitalize the Customer Experience



Authors

Tonya McKinney

Principal and Head—Customer Experience Solutions, Global Consulting

Lisa Fairbanks

Lead—Customer Experience Solutions, Global Consulting

“Tomorrow’s winners will be defined by the innovative strength of the customer experience analytics they use and implement.”⁷

— *Larry Freed, Dec. 20, 2013*

Introduction

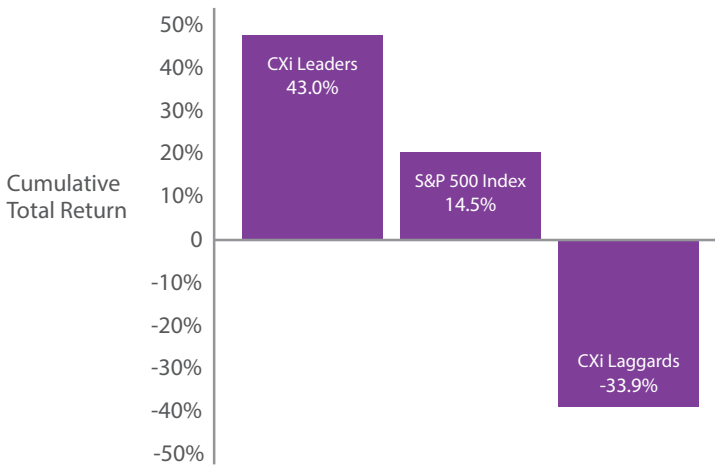
Digital trends have driven commoditization and consumerization across every industry, eradicating many of the historical advantages in product, packaging, pricing and positioning. Transparency and access allow customers to buy most products, anytime, anywhere, and at the lowest price. And the ease and cost of switching brands have never been lower:

- Wireless and cable providers have lost their previous advantage of multi-year contracts.
- Digital and consumer regulation allows consumers to switch banks with minimal effort (a retail bank recently shared with us that quarterly churn has topped 60 percent).
- Price comparison sites help consumers find the lowest premiums in insurance.

⁷ ChangeThis, “Customer Experience, Big Data, and Competitive Advantage,” Issue 112–02, by Larry Freed, 2013 Dec, Aug 2014, <http://changethis.com/manifesto/show/112.02.InnovatingAnalytics>

So where can companies gain competitive advantage today? Growing evidence shows companies that deliver a superior customer experience also deliver superior financial performance. For example, the six-year stock performance of U.S. public companies with superior customer experience ratings was three times greater than the S&P 500 Index⁸ (Figure 1).

Figure 1. Customer Experience Index (CXi) Leaders Outperform the Market



Visionary companies such as Virgin, Zappos, Ally Bank (an Internet bank), online insurer Esurance and Amazon have reshaped the customer experience in their industries and increased market share. The essential products and services these companies provide have not changed—how the customer purchases and receives products and services has changed.

⁸ Watermark Consulting blog post, the firm tracked stock market performance from 2007-2012. It categorized 'Customer Experience Leaders' as the top 10 rated public companies in Forrester Research's 2007-2013 Customer Experience Index studies, and the bottom 10 as the 10 lowest-rated companies, 2013 Dec, 2014 Sept, <http://www.watermarkconsult.net/why-Watermark.html#Loyalty-Lift>

Gaining Competitive Advantage with Advanced Analytics

However, to design a unique and compelling customer experience requires a deeper insight into customers. In the past, companies relied on three customer “Listening Posts”: internal system data, third-party purchased data, and primary customer data. Primary customer research—phone and online surveys, focus groups, interviews, and so on—is arguably the most valuable source for understanding customer experience, but it’s also expensive and time-consuming. High costs made it difficult for companies to conduct customer research with a broad audience on a regular basis. In addition, by conducting research that included multiple choice questions and other structured survey methods, companies were collecting specific answers to specific questions. That data failed to provide essential qualitative insights that come from expansive conversations with customers.

But, the real problem with these traditional approaches to customer insight is that companies are all using the same sources and similar analytical tools and techniques. To win the

market, companies need new insight to drive competitive advantage in customer experience.

Surprisingly, the answer to this customer insight dilemma is also the source of the disruption-digital.

Digital advances have provided two new and cost-effective approaches for bringing new customer insight into the CX strategy, design, and measurement process:

1. Existing Data/New Analysis

Big Data advances such as text analytics and natural language processing allow you to mine your old data for new insights. These new analytical techniques and tools can unlock value in the unstructured text data you already collect such as call center transcripts, chat conversations and customer email queries.

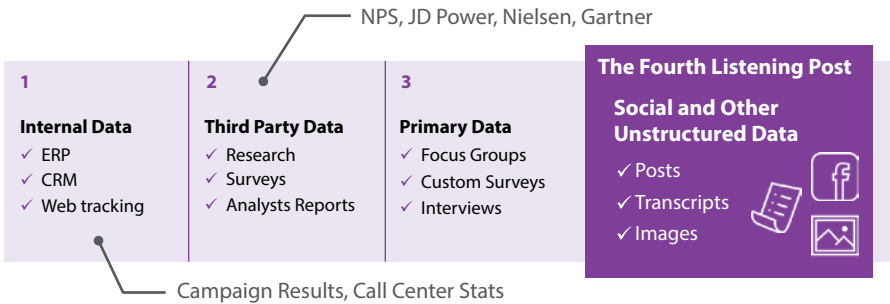
2. New Data/New Analysis

Companies can collect new data, such as social data and insights or sensor data and insights, as well as apply new analytical methods. For example, adding social profiling to the standard life stage segmentation in the company database can give sales, service and marketing actionable behavioral and psychographic insights.

Bringing new data types and new analytic methods online is what we call the “Fourth Listening Post” (Figure 2). By adding unstructured data and text analytics, companies can gain new insights into their existing and potential customers and design effective and differentiated customer experiences.

Figure 2. The Fourth Listening Post

Unstructured data and text analytics provide actionable insights independently, but also enhance, explain, validate and redirect traditional sources of information.



Using the “Fourth Listening Post” to Design Customer Experience

The data most companies use to gauge customer experience reinforces the experience they already provide. Transactional call center metrics are a great example of this. An insurance company’s chief information officer had several members of his team shadow call center representatives to learn more about that channel. Over several days they overheard many customers saying they wanted to be able to update their account information, make policy changes, etc. directly on the website. They wanted self-service features. Call center reps categorized those calls based on ‘type of issue’ because ‘customer self-service requests’ was not a category on their list of

customer complaint types. If the company had used text analytics methods on call center transcripts, it could have already discovered this customer preference and built cost-saving self-service features into the online experience.

Companies are also limited by the demographic data they collect. Name, address, zip/postal code, income, life stage, and so on are not easily converted into an insight for the customer experience. Some companies develop ‘personas’ to help define customer experience, but personas are conceptual descriptions of a customer *type* often created with some third-party research and creative ‘brainstorming’ by marketers. What companies need to design more effective customer experiences is data that exactly informs customer engagement: actual customer behavior, the criteria customers use to judge experience, and the channels they use to interact with companies.

Beyond Social Listening to Insight

Many businesses rely on standard social listening tools for information about the customer experience. These tools use basic concepts such as keywords and sentiment to deliver now-standard industry reports (example: share of voice). But companies seldom tie their action plans to their share of voice results. To generate actionable insights from social data, companies must apply advanced text analytics to a more comprehensive data set.

For example, by using simple sentiment analysis, a company might see that its website is not meeting customer expectations. However, without the additional insight that text analytics provides, the company does not know *why* that channel is not meeting customer expectations.

Deep text analytics allow companies to explore:

- What about the experience meets or misses customers’ expectations.
- How companies can shift customers to new channels.
- Why exactly are customers churning.

Let's take a look at how the unstructured data and text analytics from the Fourth Listening Post can help re-imagine the customer experience.

1. Behavioral/psychographic information on each segment

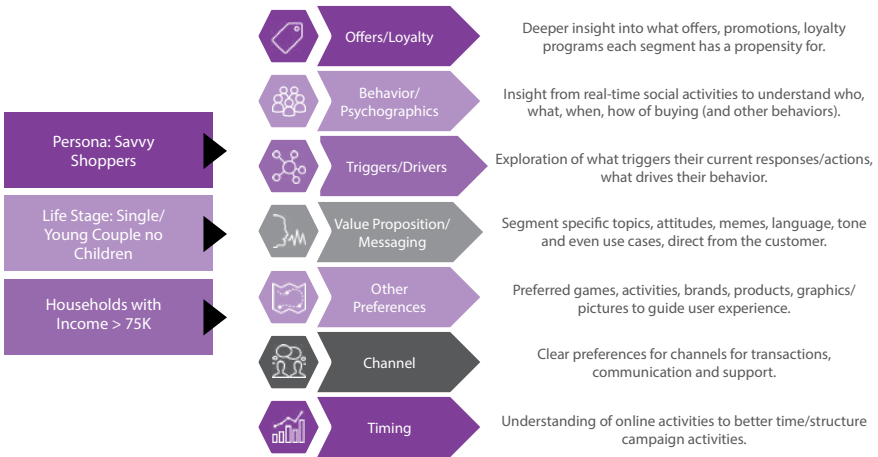
Beyond demographics, unstructured data (from social media, sensors and other digital technologies) can give companies answers to such questions as:

- Which specific topics, views, values, and memes resonate with each segment?
- What devices does each segment use? When, where, and how do they use them?
- What drives loyalty in each segment—what offers do they respond to?
- How do customers use and consume our products?

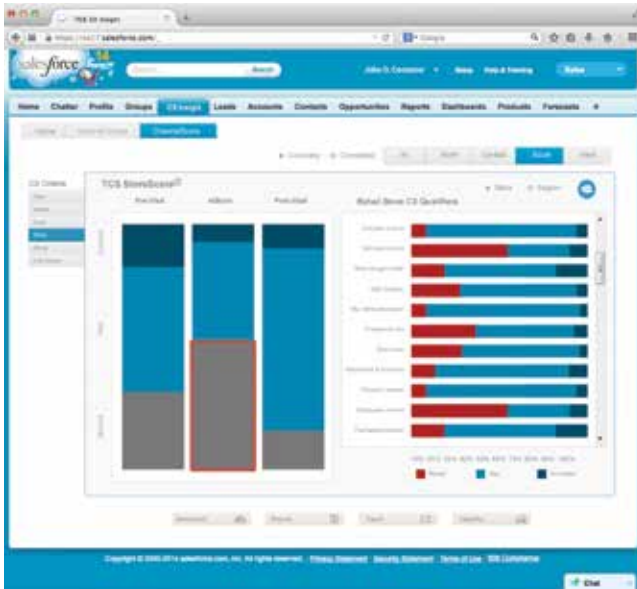
This rich behavioral and psychographic insight helps companies improve their customer experience and guide future experience strategy. This level of insight can help companies define detailed, tactical customer interactions ranging from segment-relevant promotions to product messaging. It can also help them time customer interactions and determine the rewards to offer to each segment in each channel.

Moving Beyond Demographic and Persona Segmentation: Deep Social Profiling

Unstructured and social data, combined with conventional data sources and new text analytics can provide richer, more actionable profiles on which to build the customer experience.



Exploring Customer Experience Criteria in the Retail Industry



New approaches allow companies to dig deeper and uncover root causes to customer problems, as well as design new customer experiences. This example from TCS ChannelScore social analysis shows exactly how customers judge the in-store interactions for retail stores.

2. How customers choose—customer experience criteria

Customers and prospects have different criteria for evaluating and choosing brands and offerings based on their experiences. In addition to knowing what these criteria are, companies must understand how they perform against the competition on these criteria. In social media, call center discussions, fora, and chat streams, customers share what is most important to them when choosing brands and offerings, and companies can use this insight to guide their customer experience strategy.

But the reasons customers choose one brand or product can change. From analyzing social media data across industries, we have learned that customers adjust and re-prioritize their customer experience criteria over time. For example, contracts have been a customer experience issue for wireless service providers for years. T-Mobile identified the opportunity to disrupt the market by focusing on contracts. When T-Mobile eliminated long-term contracts, the customer selection criteria shifted dramatically—both the importance of the contract experience and how customers judged their experience changed.

To create a compelling and differentiated experience—and continue to deliver that level of experience—companies need a constant feedback loop on the issues, gaps, and opportunities in the customer experience. Social media analytics is an effective—and cost-effective—way to stay on top of customer shifts.

CX Criteria Analysis: Monitoring Competitive Performance

In this example from TCS Voice of Customer social analysis, we show customer perceptions about bandwidth ‘throttling’ (reducing online bandwidth) for several Internet service providers. Because this greatly influences which Internet service providers customers use and drives churn, companies that provide these services should monitor how they are doing against competitors. If they lag, they should improve experience. If they lead, they must make sure their customers’ perception matches their experience.



3. Customer omnichannel experience and expectations

Companies deliver their Customer Experience (CX) through channels—web, mobile, store, call center, etc. To improve CX, companies need to understand what customers want and need in each channel and how well the company meets those expectations compared to the competition.

Fortunately, customers share enormous amounts of information on social media such as Facebook, Twitter, Yelp and Instagram. They talk about their experiences across a company’s channels—digital channels such as online, social and mobile

and conventional channels such as call centers, stores, and even ATMs/kiosks. But they don't just share their channel experiences on social media. In the call center example mentioned earlier, we found that customers discuss their experience with other channels in their call center telephone and chat interactions. Call recordings and open-ended answers from customer surveys can also be sources of channel insight. Using new analytics on these unstructured data sources can give companies detailed insight on channel performance.

This level of insight into channel behavior is critical to designing a compelling experience. It provides answers to questions such as:

- How do our target segments actively interact in channels?
- How do they use channels for purchasing in our industry?
- What transactions do they execute in each channel?
- How do they define a successful experience in each channel?

Social media also affords companies the opportunity to get to know customers beyond their interactions and discussions about a singular brand, industry or product. Analyzing all conversations in a target market can unlock ideation, innovation and advantage. Unlike customer surveys, social insight gives you a broader view of your customers' feeling, behaviors and preferences. For example, while a segment may not currently use the mobile channel to make purchases in a particular industry, if they conduct mobile commerce for other purchases, a company can confidently plan for this feature as part of its future experience design.

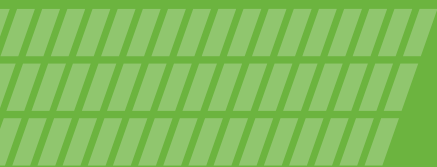
Conclusion

Digital disruption means companies have lost many of their traditional tools for competitive differentiation. Customer experience has become the new competitive differentiator. But conventional data and analytics will merely cement the current customer experience. It will not help executives to create a compelling, innovative and profitable customer experience.

To design a new customer experience, companies need new insights. They need to tap new data sources and new analytics methods that are turning social media into a continuous online focus group. If they use these resources to gain richer insights on their customers, companies can turn their customer experience into a profound competitive advantage.

Why So Much Omnichannel Dogma is Wrong

While Companies Need Many Channels
to Reach All Customers, Each Customer
Tends to Prefer Only One or Two



Authors

Lisa Fairbanks

Lead—Customer Experience Solutions, Global Consulting

Priscilla Walter

Senior Consultant—Customer Experience Insight Solutions,
Global Consulting

Introduction

Before any business approves a budget for an omnichannel project, it must understand one thing: most of the omnichannel dogma from the last five years is wrong. From the 1990s to mid-2000s, businesses added websites to market and deliver goods and services to customers. But as other channels—smartphones, tablet computers, and social media sites, for example—have emerged, companies find it far more challenging to manage customer experience across channels.

Companies get a great deal of advice from experts on how to manage across channels to create the best customer experience, including:

- Create a seamless experience across channels,
- Design the right transaction for the right channel,
- Develop a consistent experience across all channels.

Unfortunately, those ‘best’ practices may be exactly the wrong practices. Recent TCS research on three major industries shows that contrary to the common omnichannel ‘dogma’, customers do not want to use all channels—they want to use their preferred channel. More importantly, they do not want to shift channels to complete or access certain transactions.

The Truth about Customers and Channels

- Customers do not want to use all or even multiple channels.
- Customers do not want to switch channels to complete transactions.
- Customer experience expectations change from channel to channel.

How do so many companies get this wrong? From our experience, they look at data channel by channel—the transactional data that tells them the average customer uses multiple channels to interact with their firms. They get web, call center, and store reports, but not a complete view of the customer experience in each channel nor a holistic omnichannel customer experience view. They know customers completed X account requests on the web, Y service requests on the mobile app, Z account updates via a call center. They can even point to customers who attempted a credit card update on the mobile app three times, *then* called the call center to complete it. So, yes, they know customers use multiple channels. However, such transactional data doesn't explain *why* they use multiple channels.

To determine how many channels the average customer *prefers* to use, companies must understand why customers switch channels. Companies can do this by analyzing comments customers make about them on social media sites such as Facebook or Twitter. Using linguistic and behavioral

analysis of unstructured social data, TCS analyzed how well brands meet customer expectations across channels. We wanted to understand what customers expect from each channel and why they move from channel to channel.

Our research revealed that customers do not switch channels simply because multiple channels are readily available. Instead, they have very specific motivations for channel hopping. After analyzing months of social data and millions of posts about 16 companies in retail, telecom and banking, we uncovered three customer behaviors that challenge the accepted dogma about the omnichannel customer experience:

- **Channel inertia:** Despite the availability of multiple channels, customers commit to one or two primary channels. The idea that customers want to use multiple channels is not supported by social data. To shift more customers to lower-cost channels, companies must understand channel inertia by segment.

- **Channel failover:** Many customers do not switch channels by choice but because they cannot complete a transaction in their channel of choice. This is a prevalent topic in customer social discussions, and companies need to proactively guide customers to the next best channel if they cannot complete a transaction in their preferred channel.
- **Channel context:** Customer experience must be complete and unique to each channel. Customers expect to conduct all their common transactions in whatever channel they choose. However, they also have different requirements and expectations for each channel, even for the same transaction. For example, customer expectations for transaction time varies widely when they deposit a check using a mobile application versus an ATM. Channels also have varying and unique capabilities. More than cross-channel consistency, companies must deliver a complete set of transactions in each channel making the most of the unique aspects and requirements of the particular channel.

In this article, we explore the three most prominent myths about creating an omnichannel experience. Based on our research that showed how customers want to use their preferred channels, we explain what companies can do to improve the experience in those channels.

If You Want to Win in the Channel

1. Deliver the complete experience in the customer's channel of choice.
2. Deliver the right experience for each segment in each channel.
3. When necessary, guide the customer to the next-best channel.
4. Understand the channel impact on customer loyalty.

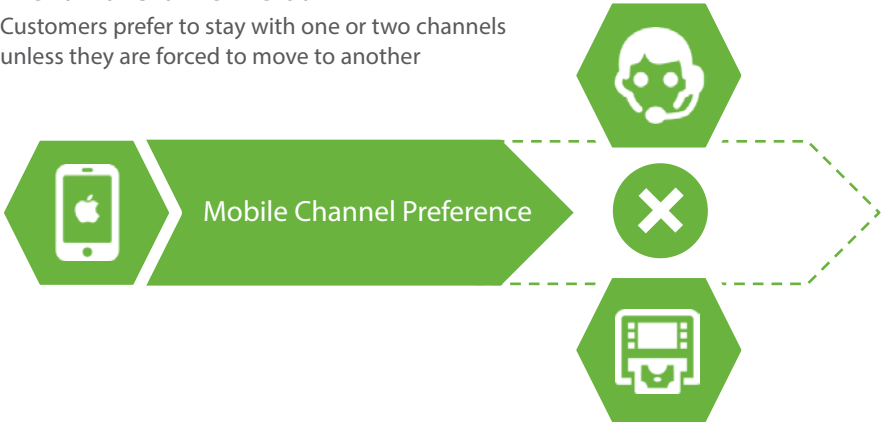
Brands Are Omnichannel; Customers Are Not

Belief: 'Because customers hop channels, companies must create a seamless, multichannel environment so customers can move easily from channel to channel.'

Reality: Customers are mostly 'uni-channel,' exhibiting channel inertia. Channel inertia is a customer's preference to use one channel for as many of their transactions as possible. Only when that channel fails to meet their expectations does she shift to another channel.

The Law of Channel Inertia

Customers prefer to stay with one or two channels unless they are forced to move to another



Customers want to complete transactions in one or two channels of their choice. If they cannot complete a transaction for any reason, they will shift to another channel.

Consider a toy shopper named Patty. She likes to shop on a popular toy store's website. Her grandson's birthday is coming up in a few weeks, and he has asked for a popular toy as one of his gifts. He lives in another state, so Patty decides to use the store's website to purchase the toy. She finds the toy is out of stock online, but that a store location nearby still has a few in stock. She makes a special trip there to buy the toy. However, the store clerk informs her that the coupon she has is only valid online. In addition, Patty learns that the store offers no option to ship directly to her grandson. Instead, she will have to wrap and send the package herself.

The example on the left would seem to support the multichannel dogma for providing a seamless experience; after all, Patty did not find the toy online but was easily able to purchase it at the store. She should be a happy customer, right? That's what the transactional data would imply: customer attempted a purchase online, was alerted the item was out of stock and was directed to a store with the item in stock, and that customer purchased the item at the store.

However, insights from social media conversations can tell a very different story. They can reveal information about Patty's shopping experience that the retailer would find very valuable. Using text analytics on unstructured social data, the toy retailer would learn that Patty announced to her peers on Facebook how unhappy she was that the website did not have the toy in stock. The toy retailer might also learn that Patty found the clerk unhelpful in explaining why the store would not honor the coupon.

Most importantly, the toy retailer would learn that Patty was so frustrated with her shopping experience that she told her online peers about another retailer that ships in-store purchases, and next time she needs to purchase a toy, she plans to shop at a competitor. We know this because our study showed us that ***not only do customers express channel inertia, but if a brand does not meet their expectations for a channel, they will announce their intention to switch to a competitor that serves them better in their channel of choice.***

The Law of Channel Failover

If customers cannot complete a transaction in their channel of choice, they tend to ‘failover’ to a more expensive channel or to the competition.



From our research, we find they tend to go to channels that cost the brand more—high-touch channels such as call centers and sales personnel. Customers will even switch brands if their preferred channels do not meet their expectations.

The Bad News: The High Cost of Channel Failover

Customers switch channels when they cannot complete a transaction in their channel of choice—and they always have a *next-best channel* in mind. We call this phenomenon **channel failover**. Unfortunately, the next-best channel is usually a more expensive channel for a company, such as a call center or a physical store.

Traditional channel analysis will show that customers use multiple channels. For example, by looking at transactional data, a company can see that Maria tried to update her credit card information for her car insurance policy and completed two actions on the same day:

1. Logged into the mobile app three times to access her policy.
2. Called customer service and updated her credit card information.

Reviewing this data, many companies would believe that Maria *wanted* to hop from the mobile app to the call center. Unfortunately, that data does not evaluate *why* Maria needed to use multiple channels. By analyzing social data, that company would learn that Maria logged in three times because the mobile app did not hold the updated policy information from one session to the next. People tend to use mobile devices in shorter time periods, performing tasks in disjointed time frames. We call this behavior ‘mobile microcycles’. After several attempts to fill out the form, Maria had to call the customer service department to complete her transaction.

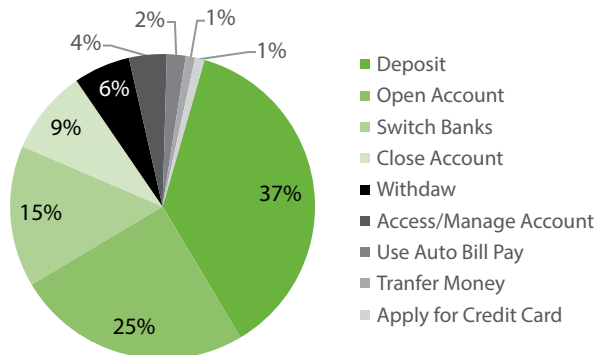
In addition, traditional call center data would only show that Maria’s issue was resolved, meaning she had updated her credit card information on her policy. That data would show nothing about her bad experience—the mobile app’s inability to save credit card information on a form, from one session to the next.

Companies can use social insights to decide where to make channel investments. They can also use these insights to influence, which ‘next-best’ channels customers should use if they cannot accomplish a task in their preferred channel. Doing so can help companies reduce costs and increase customer satisfaction.

Why let customers using the mobile app default to the call center when a text message can quickly move them to your award-winning website, where they can chat with someone online instead of sitting on hold with an overtaxed and higher-cost call center?

Banking Transactions Customers Expect to Perform Across All Channels

Our research found that customers expect to conduct a different set of transactions with companies in each channel, and that these transactions varied by industry. Above are the nine transactions retail-banking customers expect to complete in all banking channels.



Source: TCS Retail Banking Social ChannelScore Analysis, 2013.

Customers Expect to Perform All Transactions in Their Channel of Choice

Belief: ‘Customers want to perform specific transactions in specific channels—therefore the transaction determines the channel.’

Reality: To shift customers to new channels, you must uncover what customers consider to be a complete experience in each one.

Another customer behavior we found contrary to the popular omnichannel dogma was about expectations for each channel. In banking, conventional data suggests customers prefer to make deposits at ATMs and branches. In fact, by analyzing customers’ social media comments, we discovered that they expect to conduct nine core transactions in any channel and at any time—including deposits.

These insights indicate companies should investigate when customers concentrate certain transactions in a few channels. To increase customer adoption of digital channels, companies must understand why customers are less likely to perform transactions in those channels.

For example, Jeff typically uses his bank’s mobile app to make deposits, but lately he has started visiting the bank branch. With some investigation, the bank may learn that Jeff recently switched jobs, and his new company does not offer direct deposit. The mobile app has a deposit limit that is lower than Jeff’s paycheck amount. When he wants to make a deposit, he has to visit a bank branch or an ATM. Of course, Jeff is actively seeking a solution for his problem and recently learned that his brother’s bank has no deposit limit on its mobile app, so now he’s considering a switch.

Brands Win or Lose Customers by Channel

Belief: ‘Our customer experience must be consistent across all channels.’

Reality: Customers have different success criteria for each channel.

Branding and messaging should be consistent across channels, but the customer experience—how customer transactions are actually executed—is channel-specific.

Customers give high points to companies that deliver a solid experience in their channels of choice. Customer expectations are exceeded, met, or missed based on how well companies serve them in the channels they use, not the channels they do not use.

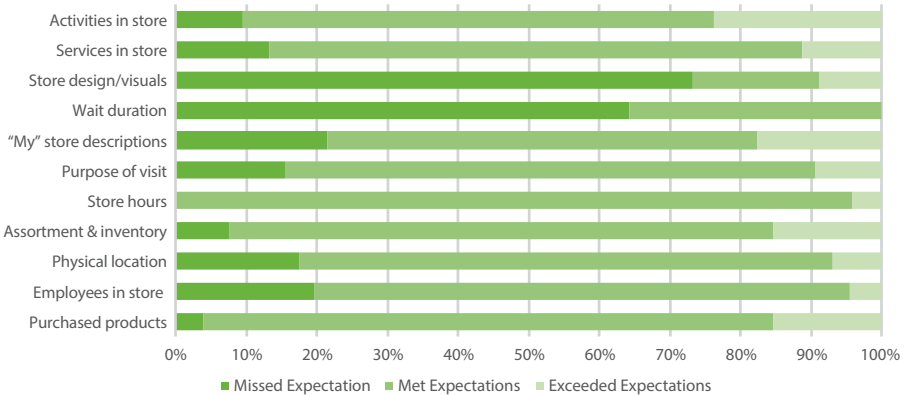
Consider Mohammed, who needs help from technical support with low battery life on a mobile phone he has purchased. Mohammed has multiple channels to choose from in seeking a resolution: the call center, a retail store, or online by either reading FAQs posted on the company website or submitting a question to a social handle for support. While the end result is the same—he gets help to correct the issue with his mobile phone battery—the elements contributing to his perception of success or failure will vary based on the channel.

In analyzing customer comments in social media about retailers and telecommunications companies, we clearly see that unique factors shape the customer’s experience in the store channel, factors that may not even exist in other channels. For instance, dissatisfaction with wait times can be ameliorated with entertaining ‘in-store activities’, but that is not an option online.

Our analysis shows very distinct customer experience factors that are unique to the retail channel, as displayed in the following graphic.

Customer Criteria for In-Store Experience

In the below analysis of the customer experience criteria for retail stores, certain themes are unique to stores. Each channel must be designed to meet the customers' unique expectations for that channel.



Source: Forrester Research, "The Business Impact of Customer Experience"

Wait times are a good example of how customer expectations vary by channel. If Mohammed goes to the store to purchase a new headset, he may expect to wait a few minutes in the checkout line. But his dissatisfaction increases after five minutes. If he were purchasing the headset online, his tolerance for waiting drops dramatically. If he has to wait even 30 seconds for an online transaction to be processed, he may become very dissatisfied; if he has to wait a minute, he may abandon the transaction.

To create a successful customer experience in every channel, companies must understand the unique requirements of each channel. This is even more critical if they hope to shift customers from costly traditional channels to lower-cost digital channels. To do so, *companies must design an*

experience in the new channel that meets or exceeds customers' their expectations of the old channel.

Recommendations: Winning in the Channel, Overcoming Inertia, and Mastering Loyalty

Winning in the Channel: Deliver the complete experience in the customer's channel of choice

To attract customers, companies invest a great amount of time, resources, and money across all channels. To keep customers, they must look at channels the same way customers do—through a single lens. Even if the call center helped Maria complete her original task—updating her credit card information on her policy—she became a dissatisfied customer because she had to move from her preferred channel, the mobile app, to complete her task. To avoid this type of customer dissatisfaction, companies must understand what experience customers want in their channel of choice and then deliver it.

Most companies try to reduce the cost of serving customers by shifting them to lower-cost digital channels. By using social insight to understand customers' primary channel preferences and expectations, companies can design channels that satisfy customer

requirements and prioritize business investments.

Overcoming Inertia: Guide customers from conventional to digital channels by offering the best of both worlds

We know now that most customers prefer to use one or two primary channels. On social media, the channel that bank customers discuss the most is the second most costly one for the bank—the bank branch (with the highest-cost channel being the call center). Of course, banks want to reduce costs by encouraging customers to use lower-cost digital channels such as online banking, mobile apps and ATMs.

When we looked closely at the social insight themes that showed how the bank branch met or exceeded customer expectations, we found that tellers and bank staff generated a lot of conversation. Human interaction is important to them. In many cases, customers wanted to interact with a particular teller or adviser at the bank, and would wait until they could work with that person.

To entice these customers who value human interaction above all other criteria in using digital channels, banks need to recreate that human experience in those channels. Using

live chat tools can help. To really win over branch customers, banks should consider giving them a designated 'personal' digital teller and/or adviser.

Bank of America has taken such an approach to drive customers from its branches to its ATMs. In late 2013, it deployed its Teller Assist® program in four major metropolitan areas. Customers can chat with a live person at the ATM through video conferencing. In addition to giving customers the human touch that some desire, these ATMs have extended banking hours for those who need help in a branch but find it is closed.

Teller Assist® is a registered trademark of Bank of America

Mastering Customer Loyalty: Learn What Drives Loyalty Across the Channels

Businesses have always had to worry about keeping customers. After all, customers can find many stores that sell items such as white shirts, say, or board games. As regulations fall away and competitive differentiators disappear, companies (especially in the banking and telecommunications industries) are working overtime to attract and keep customers happy.

Many triggers for customers to switch exist, including:

- Continued lack of trust in corporate institutions in industries such as banking and telecommunications.
- Expansion of industries such as retailers into publishing and consumer financial services.
- Easy access to competitive information and services.
- Poor customer experience in the channel of choice.

Today a company's competitive advantage lies more in providing the best customer experience—maybe even more than in providing the most innovative products and services.

To master customer loyalty, businesses must understand their customers' psychographics, particularly their loyalty behaviors. Telecom and financial institutions have unprecedented access to life stage and financial behavioral data such as purchase data, some of the most useful information in understanding what matters most to customers. This structured transactional data combined with social insight can help key industries understand and engage with customers in a deeper and more meaningful way, translating to customer loyalty.

Conclusion

Businesses have always had to worry about keeping customers. After all, customers can find many stores that sell items such as white shirts, say, or board games. But as regulations fall away and competitive differentiators disappear, companies (especially in the banking and telecommunications industries) are working overtime to attract and keep customers happy.

Increasingly consumers use digital technologies to interact with companies. Both the technologies and the consumers are still evolving, so it is far too early for 'standard' answers to the challenges of an omnichannel customer experience.

Companies must strengthen the customer feedback loop and bring real customer insight into their channel strategies. New digital technologies and channels demand new sources of data and methods of analysis. By combining unstructured social data with customer psychographics, life stage and purchasing data, businesses can create a three-dimensional picture of their customers, one that helps them to understand the best way to meet their evolving expectations in the channel of their choice.

Preparing for the Wearable Customer Experience



Authors

Skip Vanderburg

Director—CX Innovation, Design and Emerging Technologies,
Global Consulting

Courtney Wood

Director—Innovation Solutions, Global Consulting

Priscilla Walter

Senior Consultant—Customer Experience Insight Solutions,
Global Consulting

How Technology That Consumers Use as Apparel Could Revolutionize the Way Companies Do Business With Them

Wearable technology is basically computer technology in the form of clothing, jewelry or other apparel and accessories. Really, wearables are nothing new—remember calculator watches? But today's and tomorrow's wearable technologies provide far more possibilities, from delivering email on a smart watch to having shoes that vibrate when you head in the wrong direction. You can even get a tattoo that unlocks your smartphone.⁹

Wearables may be the first of the new wave of digital technologies that promise to revolutionize the customer experience, again. Companies should be evaluating if, how, and when they will incorporate this technology.

⁹ Engadget. You can now unlock your Motorola phone with a 'digital tattoo,' by Jon Fingas, 2014 July, Aug 2014, <http://www.engadget.com/2014/07/22/digital-tattoo-phone-unlock/>

So Who Wears These Wearables?

According to Forrester Research, consumers are still in the early adoption phase (2014 until 2016) for wearables.¹⁰ Tech-savvy early adopters have been the most likely to buy wearable tech such as Google Glass and smart watches. Meanwhile, general consumers have opted more for health and lifestyle gadgets like the Nike FuelBand or the Fitbit. At the end of 2013, 61 percent of wearable devices were health and fitness trackers.

Many consumers, though, still find prices and styles to be deterrents.¹¹ They are also overwhelmed by the idea of having an additional device to perform tasks they can already do on their smartphones or tablets. Although 17 million wearable devices will enter the market in 2014—and that figure is expected to grow to 45 million by 2017—sales of wearable devices continue to lag projections.¹²

With consumers suffering from device fatigue, businesses will likely drive the adoption of most wearable devices, much like they drove the initial adoption of smartphones. Forrester Research predicts that in the next 10 years “Wearable tools will become central to how employees do their jobs.”¹³ In addition, recent studies show that wearable devices can make employees as much as 8.5 percent more productive and 3.5 percent more satisfied with their jobs.¹⁴ Gartner expects wearables to increase the field services industry’s profits by \$1 billion annually starting in 2017.¹⁵ In addition, 74 percent of Millennials (a growing part of the work force) believe emerging technologies make life easier. They are more likely than older employees to adopt wearable technology as a part of their daily jobs.¹⁶

¹⁰ Forrester Research, Inc., “The Enterprise Wearables Journey: How Wearable Computing Will Improve Your Business,” by J. P. Gownder with Christopher Voce, Ted Schadler, Julie A. Ask, Thayer Frechette, Katherine Williamson, 2014 Jan, Aug 2014, http://www.forrester.com/The+Enterprise+Wearables+Journey/fulltext/-/E-RES103381?intcmp=mkt:ban:med:enterprise_wearables

¹¹ Brandchannel, “At Wearable Tech Expo, Brands Acknowledge Hurdles to Adoption,” by Brittany Messenger, 2014 July, Aug 2014, <http://www.brandchannel.com/home/post/2014/07/25/140725-Wearable-Tech-Expo.aspx>

¹² Forbes, “Of Stupid Smartwatches And Gimmicks: Wearable Tech’s Design Problem,” by Rakesh Sharma, 2014 June, Aug 2014 <http://www.forbes.com/sites/rakeshsharma/2014/06/12/of-stupid-smartwatches-and-gimmicks-wearable-techs-design-problem/>

¹³ Forrester Research, Inc., “The Enterprise Wearables Journey: How Wearable Computing Will Improve Your Business,” by J. P. Gownder with Christopher Voce, Ted Schadler, Julie A. Ask, Thayer Frechette, Katherine Williamson, 2014 Jan, Aug 2014, http://www.forrester.com/The+Enterprise+Wearables+Journey/fulltext/-/E-RES103381?intcmp=mkt:ban:med:enterprise_wearables

¹⁴ Tech Times, “Wearable technology can boost employee productivity, job satisfaction: Study,” by Lori Sandoval, 2014 May, Aug 2014, <http://www.techtimes.com/articles/6396/20140503/wearable-technology-can-boost-employee-productivity-job-satisfaction-study.htm>

¹⁵ Gartner press release, “Gartner Says Smartglasses will Bring Innovation to Workplace Efficiency,” 2013 Nov, Aug 2014, <http://www.gartner.com/newsroom/id/2618415>

¹⁶ The Next Web, “Meet the Millennials: The consumers to change the marketing landscape”, 2014 Mar, Aug 2014, <http://thenextweb.com/entrepreneur/2014/03/29/meet-millennials-consumers-change-marketing-landscape/2/>

Many businesses already have found practical applications for wearable devices to help their employees. For example, utility companies are equipping service personnel who climb towers with smart glass technology (think Google Glass) so they can access diagrams and documentation with their hands free. Virgin Atlantic Airlines has been using Google Glass and Sony smart watches to improve customer service for passengers in its upper class. Flight attendants can provide up-to-the minute information such as personal travel itinerary updates and weather information.¹⁷

New use cases for wearable technology emerge every day and companies have been long primed for the change. Both the rapid emergence of new technology and the changing consumer market—those Millennials again, for instance—require businesses to think several steps ahead for how to engage a new generation of customers. A critical mass of the population will have wearables sooner rather than later. Companies once again will need to factor in a new technology form factor into their customer's experience with their brand. The question is, how can wearable technology help businesses take customer experience to the next level?

Changing Customer Experience with Wearable Tech

To date, the most obvious applications for wearables have been customer service concepts: for example, a retail salesperson using smart glasses to check inventory for a customer who needs a specific size or color. Although the wearable device *does help improve* customer experience, it hardly seems revolutionary, and it typically is confined to the customer's experience inside the store. However, the customer's experience goes well beyond customer service.

Businesses can use wearables to become an integral part of a customer's life. For example, a sports merchandise manufacturer such as Nike might develop a material for running clothes that can tell when a runner has become dehydrated and remind him through smart sunglasses to hydrate or refuel during a long run. For people with foot problems, Dr. Scholl's might develop an orthotic insert for shoes that senses if a wearer has changed their gait in a way that indicates pain and sends small electrical pulses that relieve muscle tension and decrease that pain.

¹⁷ Forbes, "Virgin Bets On A Google Glass Customer Service Experience," by Micah Solomon, 2014 June, Aug 2014, <http://www.forbes.com/sites/micahsolomon/2014/06/03/virgin-atlantic-transforms-its-customer-service-with-google-glass-technology-but-should-you/>

A grocery store chain like Publix may develop a shopping app for smart watches that ‘learn’ wearers’ shopping patterns and items they buy at the grocery store by connecting through WiFi in the store and sensors on shelves, so it can generate grocery lists automatically on subsequent visits.

In all of these instances, these businesses would be creating **a constant engagement with customers** that goes well beyond the four walls of a store or a screen on a website.

As the above examples show us, not only does wearable technology give businesses the opportunity to improve the current experience, it has the potential to **re-frame what customer experience means altogether**. But how do we determine the right applications for wearables in our customer experience and when should we deploy those applications? Have we not asked ourselves these questions before?

Many businesses were late to the first wave of digital—social, mobile, Big Data, cloud—and the impact it had on customer experience. Some companies stuttered a bit, others lost significant share, while still others were obliterated. Many travel agencies, book stores, retailers were devastated by the first digital wave. Industries and companies that thought they had figured out the impact of digital technology have started to topple. Consider how taxi services around the world are up in arms over startups like Uber.

If you thought your current digital strategy solved the challenge of digital disruption, think again. Wearables are just one of the first new disruptors in the second wave of commercialized digital disruptors that include sensors, artificial intelligence, robotics, and image recognition and analytics. All of these will have significant impact on customer experience and in some cases—for example, smart home sensor feedback and facial recognition in retail stores—they have already started.

First Wave of Digital	Second Wave of Digital
Social	Sensors
Mobile	Wearables
Big Data	Image Analytics
Cloud	Artificial Intelligence
	Customer-Facing Robotics

The point is that digital technologies continue to emerge, and adoption cycles will be faster than in the first wave. No digital or customer experience strategy can be static. Companies need an approach to evaluate not only wearables, but all emerging technologies and trends in the context of the customer experience.

This is a practical example of the ‘sense and respond’ approach we discussed in the first article of this volume of *Perspectives, The Responsive Enterprise: Improving the Customer Experience Forever*.

The core ability of a responsive enterprise is rapidly identifying, evaluating, and responding to opportunities or threats that new technologies pose for the company. To achieve this agility requires a responsive process and system for customer experience innovation, which we will detail in the remainder of this article.

Customer Experience Innovation Management

Innovation management is the process from ideation to realizing the value of ideas, including managing and innovation portfolio. It is a critical process in an environment where ideas emerge faster than consumers or companies can adopt or act. Surmounting the challenge of ever-faster technology cycles requires a systematic, senior executive-sponsored, cross-enterprise approach that incorporates the right processes, people, operating model, tools, and culture.

To learn more the requirements for a CX strategy and plan, see the article in this Perspectives: Getting Started: Executive Checklist for Customer Experience Transformation, page 82.

If you already have an innovation management system, you can tailor it for your customer experience needs. If you don't have such a capability, you can quickly establish a systematic customer experience innovation capability using the outputs from your customer experience strategy and plans. Here are the steps and components for such an innovation management approach:

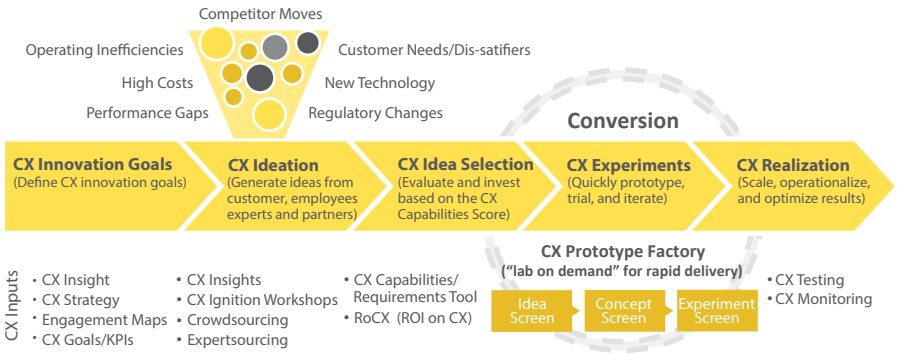
Customer Experience Innovation Strategy and

Goals: The first phase in the innovation management process is starting with the end in mind—defining customer experience innovation strategy. Companies can use the outputs of their overall Customer Experience strategy as inputs for developing the CX Innovation strategy.

- CX Goals/KPIs—because strategies are designed to achieve a goal, the overall goal, and supporting KPIs for CX should be available and form part of the CX Innovation Goals. For example, if the company's CX goal is to provide the most entertaining store experience in the industry, then innovation around wearables should be a requirement.
- CX Insight—use current customer insight to define gaps in the current experience and unmet needs in the customer and prospect segments.
- CX Strategy—the customer experience strategy, including the engagement maps, should include all required capabilities for the 'to-be' experience, including gaps in the current capabilities. Any gap without a solution should become a CX Innovation Goal.

CX Innovation Management

The outputs of your customer experience strategy and plan are many of the inputs that help you successfully manage customer experience innovation.



Customer Experience Ideation: Once the company has set the CX Innovation strategy and objectives and communicated them across the enterprise, the second phase is CX Ideation—generating and collecting ideas for improved customer experience. Note that idea management is continuous and any number of ideas will be in various phases of innovation management.

One method to generate ideas is scanning outside and inside your organization for existing resources, such as pre-existing assets, intellectual property, and capabilities. If the company already has an innovation system, review the ideas already submitted—an answer may be waiting for you. Areas that may generate CX ideas include customer needs/issues, competitor moves, new technology (such as wearables), regulatory changes, enterprise performance gaps, high costs, and operating efficiencies.

To generate new ideas, log the CX innovation ‘challenges’ into the existing innovation capability so that participants can start ideating. Companies can encourage ideas by offering rewards based on how much a new idea or innovation improves customer experience based on the CX KPIs.

If your company has no innovation capability, it needs to develop sources for CX Ideation, which may include:

- **CX Insights**—Complete a custom analysis of social/community data to identify customer-generated ideas and proposals. In the case of wearables, analyze social data for mentions for wearables or monitor store video to see who is wearing them in the store.
- **CX Ignition Workshops**—Conduct facilitated workshops with key employees, customers, partners and experts. For instance, a company should include a wearable expert in their ideation workshops if it is trying to ignite concepts for that emerging technology.

- **Crowdsourcing**—Employee, customer or partner communities are great places to introduce innovation challenges and source ideas.
- **Expertsourcing**—For particularly difficult innovation goals where no existing solutions exist or thorny technological challenges, consider tapping a group of experts to ideate solutions. Hackathons are good examples of sourcing expertise.

Customer Experience Idea

Selection. After generating and collecting ideas, the company must select ideas to enter the experiment phase. In this phase participants pass an increasingly smaller number of

Crowdsourcing Ideas for Customer Experience



If you already have existing innovation management applications, such as BrightIdea shown here, you can scan among existing ideas to see if there are already ideas related to wearables. And, you can use the software to crowdsourc new ideas by creating your own “challenge” for wearable ideas.

ideas based on a progressively tighter set of criteria applied against a more detailed idea.

In developing a CX strategy, the company should have scored and ranked all capabilities needed to deliver on the aspirational 'to-be' customer experience. That criteria can be used as the selection criteria for new CX ideas. For example, the TCS CX Capabilities Scoring tool is tailored to each company's unique CX context. The tool scores and prioritizes every CX program and subprogram on criteria that include:

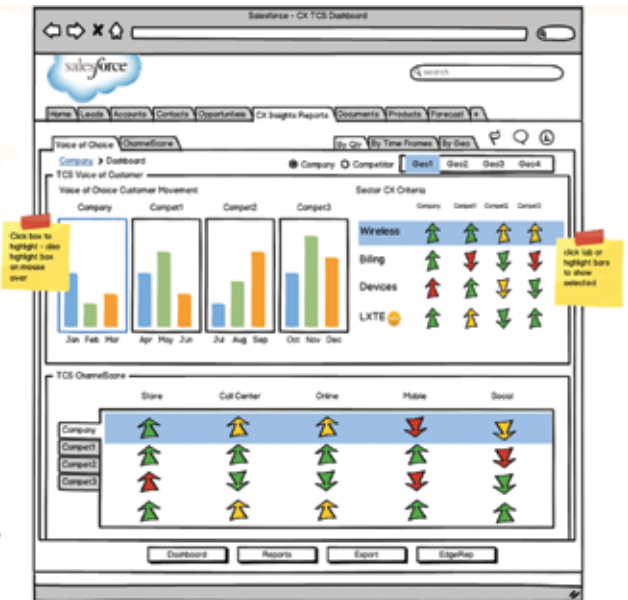
- **Technology:** Use existing technologies? Deploy new ones? Build, buy or partner?
- **Competitive:** Does this capability bring us to competitive parity or provide differentiation?
- **Innovation:** To what degree is this capability introducing innovative capabilities to our customer experience?
- **Behavior:** How well does this capability address the customer experience behaviors and engagement criteria identified in the customer experience map?
- **Cost:** How costly will this capability be to implement?
- **Dependencies:** Is this capability/feature dependent on other technology in order to implement?
- **Implementation:** How complex is this capability and how long will it take to implement?
- **Integration:** Does this capability require integration with other systems?
- **Maintenance:** How difficult and costly will this capability be to maintain over time?

If the company is assessing ideas about wearable technology, it should evaluate each idea on these and the other CX criteria. The company would then only prototype and test the top-ranked ideas.

Customer Experience Experiments. After the company has selected a few concepts, it should test each idea. In this step, the company must prototype, try, and refine ideas very quickly. In the context of customer experience, we suggest a 'prototype factory' for any technology-related ideas. A prototype factory usually includes a technology platform, environment, and skillsets that the CX team can use quickly to create idea and concept screens and finally an active prototype to test. To evaluate emerging technology such as wearables, the company may need to add technology and/or test in labs or 'live' environments such as test stores. The costs and requirements for testing ideas should be factored into the selection criteria.

CX Experimentation Require Rapid Prototypes, Trials, and Iteration

A development platform, in a cloud environment, such as Salesforce.com's Force.com, can allow companies to quickly prototype, trial, and iterate customer experience ideas. In this graphic, you see the TCS ChannelScore and TCS Voice of Choice solutions as 'concept screens' for a Force.com prototype.



Customer Experience Realization: In the CX realization phase, the company operationalizes, scales, and optimizes the tested ideas. This phase also includes measuring, tracking, and communicating progress and results to key stakeholders based on the CX goals and KPIs determined at the start. Finally, the company should determine whether or not sub-performing ideas should continue with additional support and changes or should be retired.

Conclusion

Wearables have the potential to transform the customer experience in the near future and as such companies need to start evaluating them. What they cannot do is take each innovation as a singular event which is how many companies addressed the first wave of digital—social, mobile, Big Data, and cloud. Digital trends and innovation are part of how every business does business now.

But knitting wearables and other innovations into the customer experience requires managers to adopt a systematic approach to identifying, selecting, testing, and deploying new ideas. This structured innovation process is a core ability for any company to become a responsive enterprise that offers a unique customer experience.

Architecting the New Customer Experience



To provide customers with a sophisticated set of digital tools for interaction across all its channels, companies must carefully design their technology infrastructure. Like a home builder who designs a house for future expansion, the technology professionals who plan the IT architecture for a customer experience initiative must devise it to accommodate rapid expansion and frequent upgrades (especially to capitalize on new technologies). If they do not, it will be costly and time-consuming for a company to make major experience improvements in mobile apps, websites, customer support centers, distribution points and other channels in the future.

The next three articles discuss how to build such flexible IT architectures for three types of customer experience initiatives: omnichannel, systems of engagement, and Salesforce.com.

The Omnichannel Architecture

Why Companies Need a Technology Blueprint to Make a Cross-Channel Experience Excel

Authors

Jaisinh S. Dhembre

Deputy Head—Business & IT Architecture, Global Consulting, North America

Margo V. Coleman

Senior Enterprise Architect—Business & IT Architecture, Global Consulting, North America

Introduction

Many companies see the ability to deliver an omnichannel customer experience as their future. They want customers to embrace any and all the touchpoints they provide—mobile apps, an e-commerce website, their stores (or branches or other points of physical distribution), call centers, and other interaction channels—so that whole is greater than the sum of the parts.

But the best experience design on paper will ultimately only be as good as how well the underlying technologies are organized and connected. Consider, for a moment, an electronics' retailer with a customer who enters an order for a big-ticket item (new desktop computer, high-definition TV, etc.) into its mobile app. The app directs the customer to the closest store that has the product and schedules a phone conversation from a call center rep a week after pickup to ensure he has gotten the product to work. This is a very efficient process for the consumer as he did not have to drive to multiple stores and a nice personal touch by the retailer (checking to see if everything is working).

To make that work, the retailer's mobile app, customer relationship management system, store inventory systems, financial system, and call center system need to be synchronized. One system must be able to automatically update the others without the need for manual intervention. (This retailer has hundreds of thousands of customers.) If these connections are not made, the customer may find the product was not available at the store when he arrived, or it is there but the price quoted on the mobile app was higher than the price tag in the store, or it was and priced right but there was no call center follow-

up to help him start using the product. Or all three, in which case the retailer delivered a poor customer experience.

Conversely, the retailer must be able to know when it delivers such poor customer experiences so that it can quickly apologize, make amends, and correct its errant processes, systems, or other miscues. But unless the retailer has structured its channel systems and the way they interact with each other correctly, it won't know when it's dropped the ball across an omnichannel experience. In other words, it won't be able to tell how well its omnichannel experience is performing. And that, in turn, will mean that it won't know which customers are truly happy with its performance—or ready to bolt.

All of this requires a company's IT function to be on the same page as the business functions, product lines, and channel groups that want to shape and improve the customer experience. If they are out of step, have conflicting objectives, or cannot agree on how to prioritize investments, the company is likely to fall behind competitors and disappoint customers amidst a din of internal politics and infighting. Business functions and IT must be totally aligned in customer experience initiatives.

Reference Architecture Comes to the Rescue

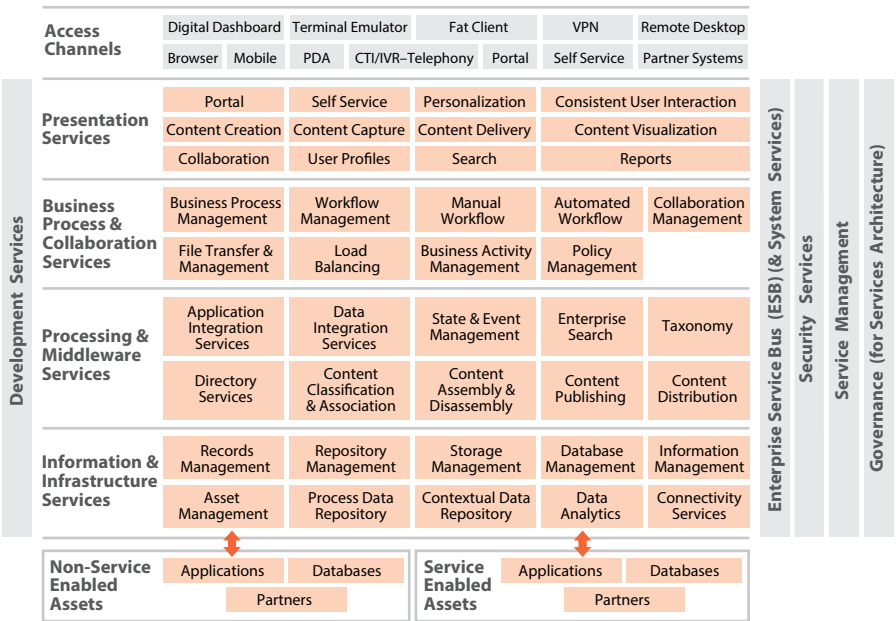
The way to make sure business functions and the IT group are aligned on improving the omnichannel customer experience is through a ‘reference architecture.’ This is a blueprint to guide how the experience will be improved and how the pieces fit together. Specifically, such reference architectures accomplish four goals:

- 1. Defining the core capabilities that the technologies and systems must deliver—today and over time.** These business capabilities—for example, giving customers near or on a company’s premises promotions tailored to their interests—are made possible by information technology. Such capabilities must be articulated without a specific technology solution in mind—for example, ‘the ability to reserve local inventory from a mobile device’ rather than a certain vendor’s software. The reason is that when better technologies hit the market, a company can quickly recognize where in its technology infrastructure they might be used.
- 2. Determining how the technology components are to be organized and connect to each other.** For example, should the aforementioned retailer’s store inventory systems be centralized or decentralized at each store? And how must the technologies interact with one another? For example, the retailer’s mobile app and store inventory systems must be able to work with one another to reserve in-store inventory in real time—not in ‘batch’ mode, which may mean every 24 hours.
- 3. Enabling the customer experience (especially the digital part of that) to be modified and upgraded quickly.** A good architecture will isolate technology components that can be swapped in and out (when better ones hit the market), and stipulate that components adhere to generally common ways of connecting with other components (through application programming interfaces, etc.). All of this is important for a company to quickly change and improve the customer experience based on learning from customers what does and does not work. No longer can the IT group take 12–18 months to implement critical new capabilities or wait until it has ‘perfect’ requirements from the business. Such requirements are moving too quickly in the customer experience space.

4. Reducing technology costs. A reference architecture can do this by showing different business functions, departments, lines of business, and channel opportunities to use common technology components (example, one customer database) and end duplications of spending. Besides reducing cost, it should also reduce complexity and time to market. And the architecture should also identify where software-based services can be reused across business divisions and functions.

The way to depict the core capabilities described above (in Goal No. 1) is as a set of ‘service layers’—that is, the IT services (enabled by software and hardware) that deliver those business capabilities. The service layers ‘sit’ on top of one another, starting at the top with those that are accessed by customers (example, on a website, mobile app, in-store kiosk, etc.), and then in each layer below the specific technology services that make those capabilities possible (Figure 3).

Figure 3: The Layers of an Omnichannel Experience Reference Architecture



Conclusion

The technologies that underpin a customer experience transformation can be complex. What is more, their connections and interdependencies can be highly confusing—for business executives, IT executives, and the IT professionals that must build and maintain the systems alike.

The way to get business functions and the IT group on the same customer experience page is by developing a robust reference architecture. By clearly depicting the key technology components and how they relate to one another, business and technology professionals will have a far easier time understanding, troubleshooting and continually upgrading the technology infrastructure. It will ensure all the pieces fit together and create a compelling customer experience.

As executives realize that they must continually tweak and more than periodically upgrade the customer experiences they provide (especially the digital ones), having a clear idea of what must be done and where will become a distinct competitive advantage.

Architecting Technology That Customers Embrace

To Create a Great Customer Experience, Systems Must be Designed to Engage With Customers

Author

John Propper

Head—Business Evolution Technology and Architecture, Global Consulting

Introduction

As the previous article stated, companies must design their IT architecture to enable their technologies to deliver a compelling omnichannel customer experience. While that is a tall order, it is actually not enough.

The multitude of mobile and web applications continually raise customer expectations. As well, some customer experiences turn into fads while others become standard. As digital devices become more sophisticated, customers expect companies to deliver the latest and greatest experience in buying and using their products. In fact, the customer's sophistication can outpace that of a company.

In this environment, companies' IT architectures must be agile enough to capitalize on emerging trends and reduce the associated risk. Next-generation architectures must also help companies gain deep knowledge about each and every customer—who they are, what they like to buy and when, how they like to buy, what influences their purchases, and much more.

This is far easier to do today and companies need to do it. The reason is that many customers now leave huge numbers of clues about their buying behaviors—digital footprints, so to say—on their mobile devices, social media sites, websites and wearable devices. When will Joe be ready to buy a new car? His social media postings may provide hints on that. So would his driving record (example, several recent accidents), past vehicle registration details (he sells his cars about every five years) and web browsing history (lots of recent time spent on car manufacturer websites). Who does Joe rely on for recommendations about new car purchases? You might be able to find that too on social media.

But to provide an engaging one-to-one experience, IT architects must help their companies build systems of engagement. That was a term coined by technology visionary Geoffrey Moore to distinguish the information systems that have prevailed in companies over the last 40 years ('systems of record', as he referred to them) from the systems he believes must be the focus of the future.¹⁸ Where systems of record collect transactional information (orders booked, shipments delivered, revenue generated, etc.), systems of engagement provide customers with personalized experiences based on how they interact with the brand, product, or service—as well as discerning what they believe and want.

Companies are competing more and more at the moment of digital engagement with customers. How to identify and respond to a customer who emerges online has become paramount in a growing number of industries. As such,

¹⁸ Geoffrey Moore, "A Sea Change in Enterprise IT," 2010, Aug 2014, <http://www.aiim.org/futurehistory>

‘competing at the moment of engagement’ is a critical concept to internalize. Customers have 24/7 online access to information about a myriad of products and services. They can also discuss them with others in bulk and in real-time.

When a customer researches a company’s product or service online, that firm has the opportunity to compete against others in pulling the customer its way. But that won’t be possible the company’s IT architecture includes systems of engagement, not just systems of record. That means having technologies that can ‘sense and respond’ to customers no matter where they are on their journey with the company; consideration, purchase, and post-purchase.

To deliver customer experiences that truly engage customers, companies must make sure their technology architectures can achieve three tasks: the integration of technology services; customer profiling; and advanced analytics.

Service Integration: Knitting the Pieces Together

To sense and respond to customers who look for products online, companies must build technologies that provide their core capabilities as a set of plug-and-play IT services, as we explained in the previous article. Over the last decade, this has been referred to as a Service Oriented Architecture or SOA. Systems should be designed to expose their business logic and data through a set of Application Programming Interfaces (APIs) or services. Ideally, those systems should access data through an API, not through a direct connection to an underlying data store.

In this manner, companies will be able to decompose their systems of record over time into an adaptable set of core systems for maintaining their underlying business transactions. On a similar note, by creating narrowly focused services for customer engagement, companies can efficiently identify which experience features work well and which ones should not be pursued.

A growing number of companies relying more on external software services and applications to improve customer engagement, typically through the use of RESTful APIs. Integrating such services is now commonplace in the Internet world.

Customer Profiling: the Holy Grail

Gaining a 360-degree or Single View Of the Customer (SVOC) has been a holy grail for decades. This is especially the case for companies that sell multiple offerings to the same customers. For example, the only way a big bank can understand its total relationship with a customer who has a checking account, mortgage, loan, credit cards and investments with that bank is having all that information in one place—not in five different systems that do not allow a single view of the customer to be built.

With the advent of Big Data technologies and techniques, this is becoming closer to reality. Internet-born companies such as Amazon, Google, and Yahoo pioneered much of the Big Data tools and techniques. These firms continue to advance the state of the art in handling enormous volumes of digital data. They have built a clear competitive advantage

in this arena. In many ways, they are not saddled with decades of legacy systems of record.

Nonetheless, if pre-Internet companies can tap the data in their legacy systems, they have a potential advantage to use against Internet firms. Such legacy systems can be rich repositories of data. However, companies must be able to combine that data with the social and other unstructured data emanating from the Web and other digital sources.

This is especially the case when a company weaves together the newer, unstructured data with its long history of customer interaction data (which is structured data). Interaction histories record the moments of engagement between a customer and a business. Data on what content customers view, the comments they post, the web pages they ‘like’, and other unstructured information give companies a whole new way to get into the mind of the customer.

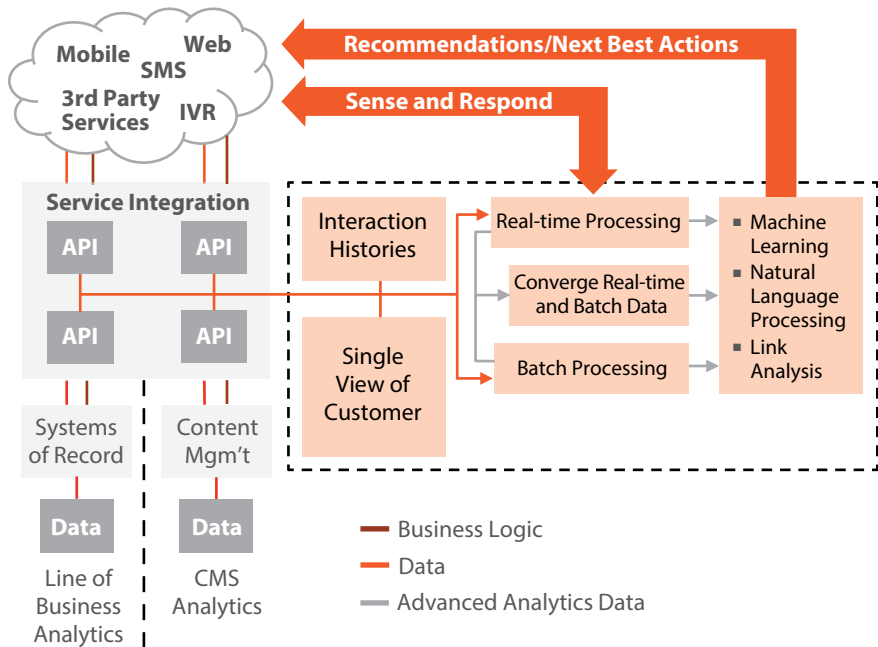
More importantly, companies can discern patterns of behavior not just for a market segment but also for individuals. They can now personalize their interactions with customers, which increasingly is what those

customers expect. But this requires new thinking in terms of ‘Data Plumbing’—the technologies for storing, organizing and extracting digital data. Today’s data warehouses are not flexible enough for companies to make constant changes in data schemas and models. Big Data techniques are exploratory by nature; their underlying data storage architectures are designed for agility as well.

Analytics: Making Sense of Customers and Your Interactions With Them

You can gather all the data you want about customers. But unless you collect the *right* data, make sense of it all and respond appropriately at the moments of engagement—when the customer is researching, deciding what to buy and trying to make it work after the purchase—the opportunity will vanish.

Logical Architecture For Systems of Engagement



Seizing such opportunities requires becoming proficient at data analytics, the third core component of systems of engagement. Companies can spend weeks or months digging through the volumes of ‘interesting’ data that is available today. But unless that data will be useful—that is, it is tied to a specific business goal such as understanding why customers defect, who is most likely to defect and when and what offers are most likely to generate more revenue—it is not worth the time and expense to collect and analyze the data.

Once a company determines what data to collect, the next step is to use the right analytics’ tools and techniques to make sense of it. These come in three varieties:

- Descriptive (describing what has happened through standard reports).
- Predictive (probability models with extended data sets that describe possible outcomes).
- Prescriptive (the ability to make recommendations or courses of action based upon probable outcomes).

Most analytics tools and techniques that companies use in their lines of business fall into the descriptive camp. However, to compete at a moment of customer engagement, a company must be able to tell the customer what the next best action is. In other words, it must be prescriptive otherwise the firm has a good chance of losing that customer.

Conclusion

Companies need IT architectures that guide savvy investments in systems of engagement. They must combine unstructured and structured data to create a single voice of the customer.

To build these capabilities, companies do not need to take a Big Bang approach—such as taking months or years to make huge technology investments that one day will go live. In fact, it is best not to. Culturally speaking, customer experience and digital strategists are better off taking an entrepreneurial, lean mindset in working business and technology departments.

To identify patterns of customer behavior across market segments, machine learning becomes useful. To understand what customers are saying, they can analyze social media comments through natural language processing technology. They can perform link analysis (who people are connected to online, including on social media) to identify whose opinions need to be shaped the most.

The next big opportunity for IT architects is designing a technology infrastructure that helps their companies win over the online customer. Those who can do so will become key players in a world in which the customer experience is increasingly a digital one.

Connecting to Customers Through the Ever-Expanding World of Machines

Companies Need an IT Architecture That Lets Them Engage Not Only With Customers but Also With the Products They Buy

Authors

Kenneth N. Shipman

Director—Customer Experience Center of Excellence,
Enterprise Solutions

Lisa Hager

Global Head—Salesforce.com, Enterprise Solutions

Introduction

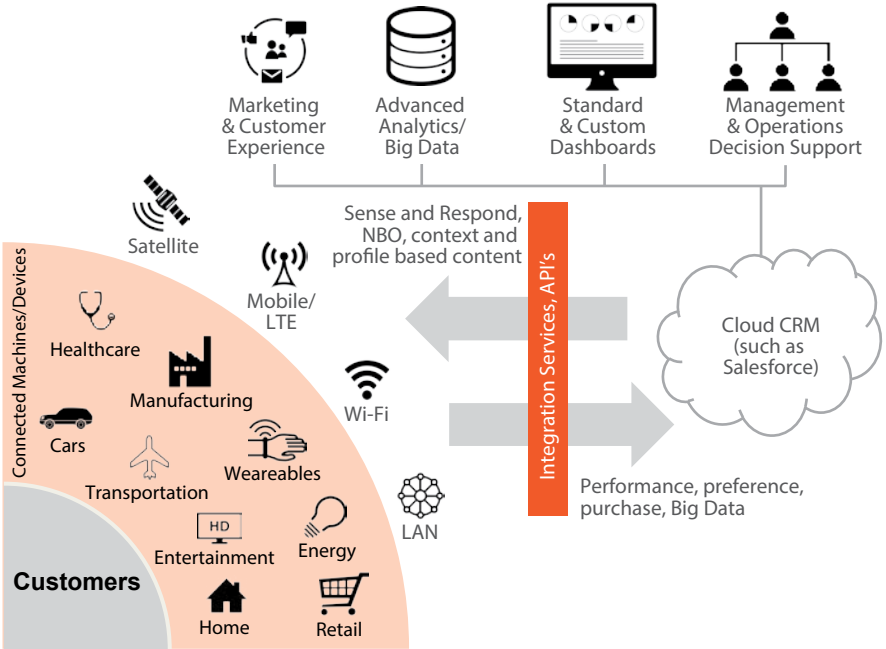
As crucial as it is to connect to customers through their digital devices and the social media sites that they frequent, it has also become important to connect to the products they use. Increasingly, those products have sensors, meters and other digital technologies that capture and transmit information about their performance and how customers are using them. That information can be a goldmine to corporate sales and marketing professionals. As a result, companies need to build into their IT architectures customer information from a new source; the very products that they buy and use.

To be sure, the primary ways to connect to customers today are through call centers, social media, online support communities, and brick and mortar (stores,

branches, etc.). However, connecting to the products they use may have even bigger potential. Communications technology giant Cisco predicts the number of digital devices connected to the Internet will increase more than fivefold between 2012 and 2020, from 8.7 billion to 50 billion devices. Such devices open up a new world of possibilities to engage customers and improve the experience they have with you and your products (Figure 4).

People who watch movies via a streaming service on their connected TVs and have home heat controlled through a connected thermostat such as Nest (now owned by Google) are providing data that companies can mine. Similarly, 'wearable' technologies (or simply wearables) monitor physical activity and other statistics in real time. For

Figure 4. Wiring Machine to Machine Devices to Your Experience Architecture



example, the Fitbit wristband tracks the number of steps people take, how much they exercise, the number of calories they consume and more.

Conversely, such data lets wellness product and service companies target marketing campaigns more precisely —example, to reach ‘physically active people in Minneapolis.’

Other examples of automated device-driven communication are growing. Auto manufacturers and dealers can be notified automatically when the cars they sold or need to be serviced.

In more industrial-strength applications, imagine connected solar grids that can schedule a service ticket automatically when an inverter fails. Consider connected medical devices that store test results and notify medical professionals if intervention is necessary. Think about a retailer whose salespeople know who you are when you arrive at their stores and customize the promotions that show up on your smartphone based on your brand preferences and buying habits.

This is all enabled through wireless and satellite data connections, with data flowing through Machine to Machine (M2M) interfaces and integration gateways. Companies can store such data in customer relationship management systems such as those offered by Salesforce.com. Monitoring how customers use their products, companies selling everything from home appliances to medical equipment, could continually track the performance of those products and how they are being used. By collecting such data, companies can improve the way customers use their devices, and of course, the devices themselves if they need to be fixed.

To learn more about wearables, read [Preparing for the Wearable Customer Experience in this volume of Perspectives](#), page 40.

Take Philips Healthcare, a unit of the \$23 billion Dutch manufacturer Royal Philips NV. The company has installed digital sensors in its lamps, air purifiers, coffee machines and electronic toothbrushes so that its researchers can more extensively understand how customers use the firm's products. That, of course, will help Philips improve its products and the customer experience. This year, the company plans to sell services to healthcare professionals that monitor patients and signal when they need to see a doctor, dentist or other healthcare professional. The services will collect data from Philips medical equipment such as weight scales, medicine dispensers and oximeters in patients' homes. Using Salesforce.com's cloud computing services, Philips monitoring and analysis software will track patients' conditions and, if necessary, alert medical professionals such as hospital nurses.^{18b} Making sure patients use in-home medical devices is crucial to improving care and reducing hospitalization.

Businesses like Philips have a strong incentive to attach themselves to their customers and the products they sell to them. M2M and connected devices make this possible. An IT architecture for a customer experience initiative needs to accommodate them.

How M2M Affects Core Systems

While the list of potential use cases and business benefits is long—from organizational and asset efficiency to new revenue streams and business opportunities—companies must determine how they will combine M2M data with their other data. What kind of changes does it force in the IT architecture that will guide customer experience initiatives?

That question depends on how companies use M2M data. That said, B2B and B2C companies that want to use M2M data need to consider four issues when planning their IT architecture:

Security

Given the sensitivity of data (think consumer data from mobile devices including potential personally identifiable information, medical and health-related information, and other regulation-heavy data), security must be a critical factor in architecture planning. This should include data security and process governance, regulatory compliance, and privacy and access control including mobile device control and management.

^{18b}The Wall Street Journal, "Salesforce.com, Philips Treat Chronic Illnesses with the Cloud," by Clint Boulton, June 26, 2014. <http://blogs.wsj.com/cio/2014/06/26/salesforce-com-philips-treat-chronic-illnesses-with-the-cloud/>

Scalability

M2M requires high-availability hardware and software with thousands, sometimes even millions, of devices. M2M applications will make enormous demands on the speed of connectivity, data storage, and processing. These must be taken into account. Further, storage and processing requirements should be expected to accelerate as business and technology leaders realize the value of their investments, and as the technology and market matures.

Standard Platforms

While M2M is not a new market, the standards, hardware, software platforms and partners are still evolving. Chief Information Officers should consider moving to standard platforms. While large enterprises could build custom solutions, they are better off turning to Software As A Service (SAAS) and Platform As A Service (PAAS). This will reduce the burden on the IT group, mitigate the risk of building systems that cannot scale to industrial strength, and risk investments in technologies that go out of vogue. Major software platforms including Salesforce.com are using M2M integration standards and APIs.

Integration Challenges

M2M becomes truly valuable when M2M applications and interfaces can be connected to existing systems such as CRM, ERP and other enterprise software. Integrating that data will create an environment where customers and companies are more engaged with each other. Point solutions that cannot be integrated with the broader enterprise will result in siloed data, which could create a fragmented customer experience.

Conclusion

The time has come for companies to capitalize on the large and growing volume of digital data emanating from the sensors, meters and other digital devices they have installed in their products and sold to customers.

Incorporating M2M data into the overall customer experience promises to help customers get better at using a company's products and services. That is the kind of experience every customer would sign up for.

Finding the Right Organizational Design for YOUR Customer Experience

Do Not Let Silos Sink Your Customer Experience;
Break Through the Walls Without Tearing Them Down



Authors

Tonya McKinney

Principal and Head—Customer Experience Solutions, Global Consulting

Denise Friedman

Practice Head—Organizational Performance, Global Consulting

Introduction

Many companies we work with have told us the customer experience improvements mentioned in this publication are ones they must make. To make them effectively and efficiently their senior managers must update obsolete business processes and install new technologies. Further, they must train their people how to monitor, analyze, and handle customers who increasingly want to do business through digital channels.

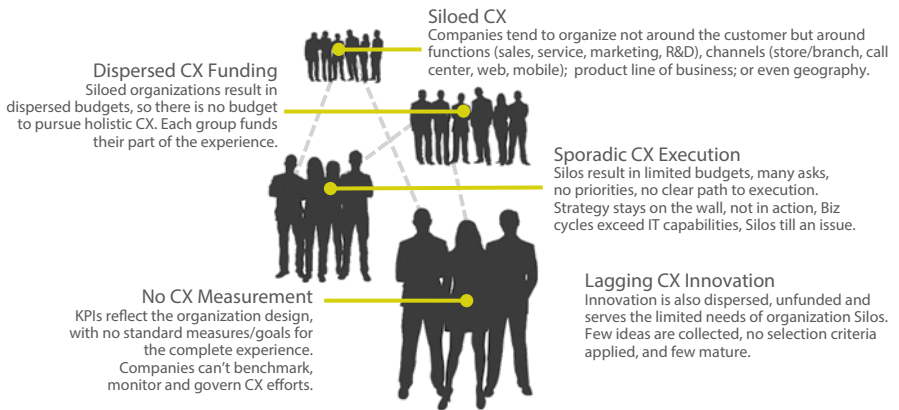
Those company changes may not be enough. A customer experience overhaul—whether within or across a company's channels to customers—must involve every organizational unit that touches customers. That includes customer-facing business functions (marketing, sales, service); product/service lines; units based on channels (for example the e-commerce division) and regions. An overhaul must also include the IT organization because ultimately it is the keeper of a firm's enterprise systems.

So where do large-scale customer experience improvement initiatives falter? The hardened silos of functions, lines of business, channels to market, and regions can create a nightmare of politics and infighting (Figure 5). If each silo funds its part of the experience initiative, those with bigger shares may assert dominance over the design. With siloed budgets come no priorities or governance: each group wants its changes done first. This ‘I want it now’ behavior manifests frequently in mobile areas. Various departments contract outside the company for mobile programs and end up with dozens—in some cases hundreds—of mobile games, landing pages and promotions done by as many agencies.

And, siloed customer experience initiatives often overlap and repeat, with groups that run the very same or similar initiatives, but which resist giving up their projects. For example, many companies have purchased multiple social listening applications and services. We have seen different groups in the same company literally purchasing the same social data.

Furthermore the metrics of success tend to be those of each silo, which can lead to conflicting objectives. For example, reducing time to resolution in the call center may conflict with a company-wide customer experience goal of being ‘the most

Figure 5. How the Silos Sabotage Customer Experience Improvement Initiatives



helpful company in the industry'. Goals and measures for the customer's complete experience probably will not exist. And innovation efforts are also conducted in the silos; they suffer from lack of visibility and funding (since no individual budget is as big as the total budget).

In essence, trying to graft a new customer experience onto an old organizational chart is not just a recipe for trouble, it is a budget drain. However, we are neither advocating that companies turn themselves upside down, nor suggesting they get rid of the silos that divide up work and foster deep expertise in a firm. We are, however, noting that if a company needs to dramatically improve customer experience within and across the channels it must very carefully consider these issues:

- Who is accountable for customer experience?
- Who determines customer experience strategy and design?
- Who delivers and manages customer experience?
- How is customer experience insight collected and communicated?
- Who governs customer experiences?
- How do these groups work together now? In the future?

In this article we provide three models we have seen in our clients, as well as two emerging ones that we believe will become prevalent over this decade.

Three Prevailing Organizational Models for Customer Experience Initiatives

Cross-channel digital strategy and customer experience initiatives, rapidly becoming one and the same, are a relatively new phenomenon. While customer experience improvement programs—revamps of retail chain store designs, overhauls of call center policies and approaches, and website re-designs—have existed for decades, the difference today is that lines between channels, functions,

and target markets are blurring. For instance, online shoe retailer Zappos is well known for erasing the demarcation between marketing and service making great service its marketing. Mobile is both a channel and a device so who owns the mobile experience? Each product line or the web team? And, lines of business and products share customers, but which owns the full experience?

We have worked with dozens of such groups that have been chartered over the last five years to rethink the entire experience. These groups exist in major retailers, big banks, large insurance companies, and many other companies. We have seen their responsibilities and organizational design take three forms: *oversight*, *authority* and *enablement*. Let us explore each one.

Oversight: The Power to Recommend but Not Mandate

In this model the group in charge of customer experience strategy and improvement is responsible for providing advice to the company's functions, business units, channels and other silos. However the group does not have the authority or budget to institute its advice. This model occurs in companies when very strong leaders of

lines of business or channel silos exert a great deal of personal, political, and budget control.

“My digital strategy starts by shining a light inward on the silos that deter our ability to create compelling experiences”

It is common for a chief marketing officer and marketing team to develop a customer experience and digital strategy for the entire company. But if the CMO has no control over the firm's product owners, these groups will resist implementing the new strategy. In some cases, a group tasked exclusively with launching a customer experience overhaul has more influence—for example, by reporting to a CEO or having executive and/or board support. The digital strategy group at the \$9.3 billion insurance company Genworth Financial, sees it this way. “My digital strategy starts by shining a light inward on the silos that deter our ability to create compelling experiences,” says Hector Crespo, Director of Digital Strategy and Analytics at the Richmond (Virginia, US) based company. “It must begin with a cultural transformation first, else we run into issues right from the start.”

To play the oversight role effectively customer experience teams must:

- Develop business cases and ROI models for customer experience programs to gain executive alignment and help each business unit, function, and channel understand the value of the holistic effort to the company.
- Set up a Customer Experience Program Management Office to keep programs on track across silos and report progress to the executive team—even if the team does not manage the delivery of the customer experience.
- Govern the final customer experience by ensuring it has the final say (with key stakeholders) over any change that affects the customer experience.

Enablement: Supporting the Vision

Another common model is found in customer experience shared services. In this model, which we refer to as enablement, companies typically have shared services centers that support a customer experience vision. Enablement can take several forms, from centralizing customer-facing functions such as call center and marketing into a Center of Excellence (CoE) to cross-company access for emerging technologies such as mobile, social, Big Data analytics, and even robotics.

This model takes more organizational, budget, people, and infrastructure change than the oversight model. And it tends to emerge after a company rationalizes its digital/CX expenditures across the organization.

Regardless of the trigger, enablement models can be silo-breakers. Cincinnati-based Fifth Third Bank enabled its omnichannel customer experience vision by building a CoE in Analytics.¹⁹ By creating a single source of customer information fed across all channels, Fifth Third uses shared insight to break down silo barriers.

Key points for enablement customer experience teams:

- Identify the key programs and technologies in the company's customer experience plan(s)—common to most business units, channels or markets—and ensure the customer experience CoE delivers against those capabilities. If these are not documented, rationalize and document the customer experience needs across the company.
- Even if the customer experience CoE does not manage the delivery of the customer experience, provide a Customer Experience Program Management Office as a shared service to keep programs on track across silos.
- Do not just support, govern. That will ensure the Customer Experience CoE group has final approval on any change that affects customer experience.

¹⁹InformationWeek, Banking System and Technology, "Life Without Channels: How to Provide a Seamless Customer Experience," by Brian Yucan, 2012 June, Aug 2014, <http://www.banktech.com/channels/life-without-channels-how-to-provide-a-seamless-customer-experience/d/d-id/1295451?>

Authority: Directing the Silos

A smaller number of companies have given key groups control over most if not all of the customer experience. Companies adopt this model when they have had a dip in their performance or have significantly altered their business strategy and must make large and rapid improvements in their customer experience.

Centralizing control and authority more often is found in companies with channels than functions and business units. Yet even these companies tend to centralize digital channels more often than conventional, physical channels. For example, toy retailing giant Toys “R” Us has established a chief digital officer, Fred Argir, who directs the digital customer experience including online, mobile, and social.²⁰

But at least one company, YP (formerly Yellow Pages), is breaking through even the digital to conventional channel silos. YP Chief Customer Experience Officer Mark Ploof owns most of the customer experience for YP: customer service, print, and digital fulfillment operations, customer retention and ‘win back’ programs and business process improvement.²¹

The advantage of the authority model is that most organizational groups central to the customer experience will be aligned on the experience vision and can move quickly to implement the changes. However, functional areas, product groups and lines of business are usually left intact, so even with broad authority, the team must still address organizational silos.

Key points for customer experience teams that fill the authority role:

- Identify the enablers to the customer experience vision—IT, agencies, business process re-engineering, HR and Training—and ensure they too are part of the process.
- Remember the broader ecosystem. Few companies are an island these days, so understand and manage the entire ecosystem that touches and delivers the customer experience, especially partners and potential partners.
- Do not overlook the need for company culture changes beyond the customer experience units. Lead the company-wide transformation to customer-centricity.

²⁰ Retailing Today, “Toys ‘R’ Us gets digital makeover for Christmas,” by Mike Troy, 2013 Nov, Aug 2014, <http://www.retailingtoday.com/article/toys-r-us-gets-digital-makeover-christmas>

²¹ YYP Website, “Executive Team: Mark Ploof,” Aug 2014 <http://corporate.yip.com/executive/mark-ploof/>

Two Emerging Organizational Models: Personalized Customer Experience

The challenge companies face—even with those with the Authority model—is that customers are passed among various internal units throughout the customer experience. Customer journeys can easily become a silo-to-silo ‘bucket brigade’, with positive experience sloshing-out at every customer hand-off between internal groups and channels.

The oversight, authority and enablement models are likely to dominate for some time. However, some companies are experimenting with more advanced forms to break down the silos and put customers at the center.

One approach is **segment experience management**, which is already in play at insurance company USAA. The company now goes to market through customer segments that span traditional product silos. Why the big shift? USAA’s executive vice president of member experience Wayne Peacock put it this way in *Forbes*²²: “We iterated the customer experience over a five-year period. We made incremental progress. But you come to an inflection point where, if you want to go further and you want to go faster, you have to make a change.”

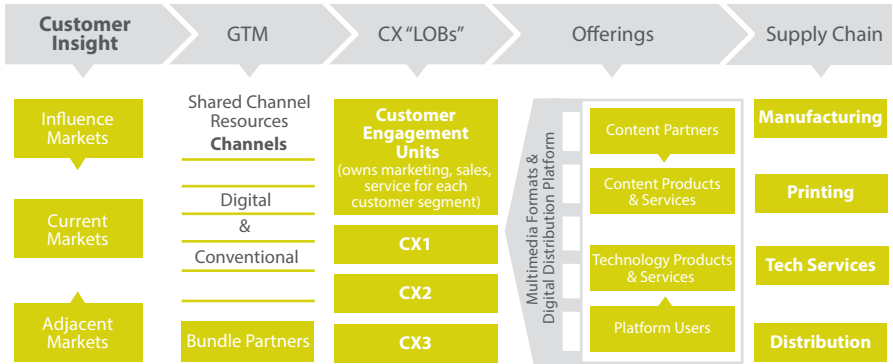
See The Fourth Listening Post: Using Social and Other Data to Revitalize the Customer Experience *article in this volume of Perspectives, page 16.*

To go to market by customer segment requires companies to excel at real time, deep customer insight. In the following graphic we show what a segment experience model might look like for a publishing company, with market insight feeding not just the market segment customer experience units but also the entire operational model and ecosystem.

²² Forbes, “You Are In The Customer Experience Business, Whether You Know It Or Not,” by Harley Manning, 2012 Aug, Aug 2014, <http://www.forbes.com/sites/forrester/2012/08/28/you-are-in-the-customer-experience-business-whether-you-know-it-or-not/2/>

CX Organizational Design: Managing Experience Segment by Segment

In the segment experience model, the company alters its organizational design to match customer segments. CX Experience Managers own the end-to-end experience for one or more target segments, and the company channels and functions—from R&D to the supply chain—are essentially shared services.



The other emerging model is one we refer to as the **customer-driven experience**. Unlike the segment experience model, this model depends heavily on digital capabilities. It requires digital—primarily social features—to collaborate closely with customers and digital infrastructure to dynamically meet their needs.

One premise of the customer-driven model is that the customer ‘co-designs’ the experience with the company. Peter Reynolds and Peter Weill of MIT’s Center for Information Systems Research explain it this way: “Rather than using customers to validate what has already been built, co-design involves customers throughout the design process to better understand their overall workflows and unmet needs.”²³ Essentially customers have the power to design the experience they want.

²³ MIT CISR Research Brief, “Designing Digital Products and Services that Customers Want,” by Peter Reynolds and Peter Weill, Volume XIII, Number 3, March 2013

See the Architecting Technology That Customers Embrace article in this volume of Perspectives, page 58.

The ‘customer in the driver’s seat’ extends beyond the design process too. Conceptually this model enables customers to choose their own experience, selecting from digital modules of services and features. This requires a flexible, modular, interactive, and iterative digital infrastructure powered by customer insight for prediction and personalization—in effect, this is the much-talked about, yet to be implemented, ‘system of engagement’.

In the here and now, social platforms can be enablers of customer-driven experience design. Interacting with a customer primarily through a social platform forces company silos to organize around the customer. Representatives from sales, service, marketing, R&D, support, training, and other functions assigned to that customer become a member of the customer’s community, with the customer at the center.

No longer can marketing, sales and service inundate the customer with emails and phone calls, oblivious to one another’s communication efforts. Instead, customer preference drives communication and interaction. Software companies SAP and CA have developed online communities that support the entire customer lifecycle. However, as noted, this approach assumes a level of digital competence on both the customer’s and company’s part.

Conclusion

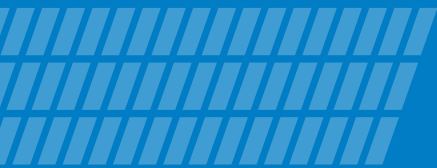
Organizational silos can sink even the most masterful customer experience designs. To create experiences that capture new customers and keep existing ones in the fold, companies must get all their silos in line about how to create a powerful, end-to-end customer experience. If they do not, they will risk losing market share to companies that can.

In the future, as more companies shift from a product-centered or a channel-centered organization approach to a customer-centered organizational design, they must excel in two areas. First, they will need deep customer insight on demand, across all channels and functions. (See *The Fourth Listening Post* article in this volume of *Perspectives*.) Second, those that want to institute a customer-driven experience model must design their IT architecture to be flexible, with features that can be personalized and swapped in and out easily. The future of customer experience relies heavily on the maturation of systems of engagement.

For more insight on customer analytics and systems of engagement, read these other articles in this volume of *Perspectives*:

- *The Fourth Listening Post: Using Social and Other Data to Revitalize the Customer Experience*, page 16
- *Architecting Technology That Customers Embrace*, page 58

Getting Started: Executive Checklist for Customer Experience Trans- formation



Assessing the Customer Experience

To Improve Interactions With Customers, Start by Rigorously Diagnosing What Customers Expect and the Capabilities You Have to Deliver It

Author

Antony Grigg

Head—Customer Experience Solutions Europe, Global Consulting

Introduction

Engineering a superior experience for customers can have a substantial payback for a company. Wireless phone service provider T-Mobile has increased market share rapidly since 2013 through such innovations as no annual service contracts and no international roaming charges. Zappos came out of nowhere to carve out more than \$1 billion a year out of the retail shoe store industry because it engineered a better customer experience. On a bigger scale, Amazon (which purchased Zappos in 2009 for \$1.2 billion) has carved out about \$80 billion a year from the global retail marketplace because of an online experience for buying books, consumer electronics, and many other household goods that trumps the in-store version for many customers.

But while increasingly vital to an organization's success, creating a far better customer experience is not at all easy.

The complexities can be enormous:

- Multiple channels to transform, both separately and together.
- Core technologies that are rapidly evolving, difficult to comprehend, and often harder to deploy and connect to existing systems.
- Business processes, skills, and corporate mindsets that can be huge barriers to change.

The place for a company to begin its customer experience transformation is assessing the experience it delivers today. From our work, the group assigned with transforming the customer experience must communicate to the senior executive team a diagnosis of the current customer experience at a simple and high level. Intricate customer journeys, numerous personas, process maps resembling the wiring blueprint of a jetliner, pages of customer feedback and spreadsheets dense with metrics are likely to lose a CEO, COO, and heads of customer-facing business functions quickly.

Just as customers require simplicity in their interactions with companies, simplicity is also crucial in the way the customer experience team communicates the current state of affairs to senior management. A customer experience roadmap that is communicated to the executive team in a convoluted way is likely to be dealt with in a convoluted way—or not at all because the customer 'pain' is hard to pinpoint. Becoming a customer-centric organization isn't easy as there are many moving parts and dependencies that must be understood and aligned.






Diagnosing (But Simply) the Current State

We have found the most effective way to help a customer experience or digital strategy team assess the current state of the customer experience is through a framework that we call the customer enterprise framework. It has two dimensions (Figure 6):

- **The company’s operating model:** its customers, people and organization structure; operational processes; and systems and computing infrastructure.
- **The core business characteristics** for improving the customer experience that today’s digital technologies make possible. We categorize these characteristics into five broad areas: engaging, agile, insight-driven, innovative, and collaborative.

Let’s start with the four operating model components. ‘Customer’, of course, refers to a company’s target customers and how it interacts with them. From the standpoint of assessing the customer experience, the customer element should be broken down into customer segments (for example, for consumers, by income, age group, or other demographic factors; and for business by size, company, industry or other distinction) and the experience they are receiving. But segmentation should also reflect newer dimensions of categorization such as what mobile devices they use and how they use them; their channel preferences (for example, mobile vs. website vs. store); what drives loyalty; whether they use social media and which sites; and their preferred games.

Figure 6. TCS Customer Enterprise Assessment

	Customer	People & Organization	Operational Excellence	Systems & Infrastructure
Engaging 	Omni-channel Interaction	Openness and Sharing	Offering and Delivery	IT Architecture
Agile 	Context and Responsiveness	Structure and Command	Process Management	Sourcing and Delivery
Insight Driven 	Customer Personalization	Measurement and Direction	Performance Management	Information and Insight
Innovative 	Customer Innovation	Ecosystem Innovation Employee Innovation	Value Chain Innovation	Ecosystem Integration
Collaborative 	Empowerment	Employee Culture	Continuous Improvement	Secure Data and Systems

‘People and organization’ refers to a company’s employees who interact with customers, and the factors that influence those interactions: what customer information employees have, whether they’re empowered to make decisions (and which decisions), how open they are with other employees, how much information they share, and how they’re structured (does information cross organizational silos?), among several factors.

Operational processes are the work flows in a company that touch customers: marketing, sales, customer service, billing, field service and more—as well as how process performance is measured, rewarded, and improved.

And systems and infrastructure are the technologies, systems, and interrelationships between those systems that have become essential to responding effectively to customers. The interrelationships between systems are issues addressed by a company’s IT architecture—the blueprint that guides what technologies will be used, how they will be hosted, how they will communicate with one another, and other aspects that are critical to effective co-existence of systems of record and systems of engagement to provide enhanced capabilities.

The Five Core Business Characteristics of Digital Technologies

To assess the customer experience it delivers today, a company needs to do more than break down its operating model into the four components discussed above. It must see the four components through a larger lens: a set of characteristics (or design principles) made possible by digital technologies such as mobile devices, Big Data and analytics software, social media, sensors, wearable devices, robotics, artificial intelligence, and analytics software that can decipher digital images.

Companies are capitalizing on these technologies to greatly varying degrees. Some companies are far ahead of others. But that’s actually not the point in doing a high-level customer assessment. The trick is not diving too deep in to each of these (and more) technologies to see if you have them. Instead, it is about determining how well your organization reflects these five characteristics, and how could be substantially improved by digital technology. These characteristics are:

- **Engaging**—There are two aspects to this. The first is about channels. Do you interact with customers in multiple ways, especially in the mobile and other digital channels that your customers use—not just through the traditional 1800 numbers, email, and postal mail? Do you respond to them through social media channels such as Facebook, Twitter, and Instagram (where more and more customers are sounding off about companies these days)? Being able to engage with customers through their mobile phones is fast becoming essential in industry after industry. Marriott says 40 percent of the viewers of its website do so through a mobile phone.²⁴
- **Agile**—How fast can you respond to customers (or prospective customers) who want to know more about your product, how to use it, and where to buy it? Does it take minutes? Hours? Days? Weeks? Can you respond to them instantaneously no matter where they are located, and no matter what they need? For example, if you are a newspaper company and 60 percent of your customers want to use their smartphones to start and stop service while they are on vacation and you are not set up for that, you

are giving them one more reason to drop the paper forever; No newspaper company today can afford to do that. Such capabilities would probably be important to newspaper subscribers who often realize they forgot to do a vacation stop of their paper before they headed out the door. Being agile requires being able to reconfigure your operating model (people, processes, and technology) quickly.

- **Insight-driven**—When your company interacts with customers—whether to market and sell to them or serve them after the sale—how much do you know about them? And do you know how they feel about you lately? Having such insights on who your customers are (their psychographics, behaviors, drivers of those behaviors and more) and what they think about you is critical to being able to personalize your interactions with them, no two of which are identical. A 2014 TCS study found that 50 percent of large companies in North America, Europe, Asia Pacific, and Latin America monitor customers through social media and mobile apps.²⁵ But some industries (for example, media and entertainment firms, of which 63 percent monitor

²⁴ *The Wall Street Journal*, “Hilton Books Upgraded Technology,” by Craig Karmin, 2014 July, Aug 2014 <http://online.wsj.com/articles/hilton-books-upgraded-technology-1406503197>

²⁵ TCS 2014 Global Trend Study, “The Road to Reimagination: The State and High Stakes of Digital Initiatives”, Aug 2014, <http://sites.tcs.com/stateofdigital/>

social media comments) are much farther ahead than others (only 41 percent of energy companies do so). These days insights based on social media data are critical in many industries. For example, Marriott International Chairman Bill Marriott recently told *The Wall Street Journal* that generating insights from social media comments on what millennial customers want out of their hotel visits is of utmost importance.

“[Social media has] changed the whole dynamic of the growth of the business. Ten years ago if you said we’re going to measure social engagement, I’d say, ‘What in the world are you talking about? Social engagement is saying hello to somebody in the lobby!’”²⁶

■ **Innovative**—Every company today must continually improve the customer experience, as T-Mobile has done in the wireless phone industry

since 2013 with such innovations as no annual service contracts and free roaming. If your stores, website, customer support routines, marketing campaigns, or sales programs are essentially following the same model they’ve followed for five years or more, there’s a good chance that the customer experiences provided by your competitors have passed you by. And even three year old customer experiences on websites and mobile phones are likely to be antiquities given all of the great things that can be done today digitally that couldn’t be done three years ago. But this requires companies to systematically collect, evaluate, select, and test new ideas from internal and external sources.

■ **Collaborative**—How well is your organization working internally and externally on new ways to market, sell, and service customers—and on new products and services that customers will embrace? Today’s digital channels enable companies to collaborate with customers on this in whole new ways. By surveying customers through mobile apps they can test new product or experience concepts. By studying their click patterns they can discern which marketing, sales or service messages are clear or

²⁶ *The Wall Street Journal*, “Bill Marriott: Where Hotels are Going,” 2014 July, Aug 2014, <http://online.wsj.com/articles/bill-marriott-where-hotels-are-going-1405716717>

confusing. Today's digital technology also force companies to collaborate with other companies whose products and services are used by customers along with your offerings, to accomplish their interests. Because so much interaction between companies and their customers today is taking digital form—through mobile apps, websites, social media fan pages, and much more—companies have the opportunity to digitally plug in other (non-competing) companies that can provide other needed products and services. For example, a finance company that we know of heard from customers about the travails of buying an automobile. The company created a mobile app that not only helps customers insure and finance their automobile, it helps them search for and purchase a car.

One great new thing companies can do now that wasn't easy to do before social media and mobile technology: compare themselves to competitors. Want to know what customers think about your channels vs. competitors' channels? It is simple: Just analyze what they're saying about you and competitors on Facebook, Twitter and other social media. Want to know what they think about your service policies? That too can be gleaned from social media comments.

In other words, everyone's performance with customers can be tracked through social media—at least, what customers are voicing about you online.

Doing the Diagnosis— and Acting On It Quickly

Using the customer enterprise framework, a company's digital or customer experience team at a high level should then go down the list: Do we have the capabilities to engage customers through the channels they want to use? How well do we meet their expectations today? How ready are we to meet their expectations in 18-24 months?

What are the 'people and organizational' barriers that prevent us from more fully engaging with customers? The operational process barriers? The systems and IT infrastructure barriers?

Then the assessment should move to the next step in the ladder: agility. How fast can we respond to most customers and their issues? How does that compare with our competitors? What is holding us back from getting better in terms of our people and organizational barriers, operational processes, and systems and infrastructure?

When you have completed the bottom three parts of the list (insight-driven, innovation and collaboration), a picture will emerge of the current state: a customer experience 'as is' capability map. That is your company today vs. best practice capabilities necessary to deliver leading customer experience. If you find the answer is "We're trailing and here is why," that kind of information should get top management attention, and quickly.

By the way, assessing the current customer experience along these lines may show that only incremental improvements are necessary. Some companies have the necessary business processes, technologies, and skills to deliver a leading customer experience but may need some rewiring. That said, no matter how great a company's customer experience is, the new world of analyzing unstructured data provides an unprecedented means of identifying emerging customer segments based on new behaviors. From that you can identify and develop new experiences, and go from 'great' to 'exceptional'. This is when you start to surprise your customers and develop loyal advocates who like, share, and talk about you online.

Conclusion

Companies that move quickest and best at creating the winning customer experience will dominate in the years ahead. They will either be startups or relative newcomers in their niche (like Zappos and Amazon), or established companies such as T-Mobile or John Lewis Partnership (the UK's largest department store chain) that overcame a legacy of mindsets, practices, processes, and infrastructure that had cemented their customer experience in the 20th century.

But the first step in overcoming that legacy is defining the customer experience your customers want you to deliver and assessing whether you have the capabilities to deliver it. This process may take account of what your competitors are doing but it is also useful to compare yourself with partners and learn from other industries and the experiences they are delivering. This analysis need to be incisive, so the powers that be know what is and what must be done.

Customer Experience Assessment Checklist

- ✓ Determine how effective your capabilities are at delivering your desired customer experience is today based on the five characteristics of engaging, agile, insight-driven, innovative, and collaborative. Capture and analyze what customers and prospective customers are saying about you via social media to inform this analysis and identify any development of existing capabilities or introduction of new ones.
- ✓ Compare how you are faring on those five characteristics of the customer experience against your competitors (again, using social media to inform part of the assessment).
- ✓ Where you are trailing the competition determine what capabilities are holding you back in terms of your people and organization structure, operational processes, and systems and infrastructure.
- ✓ Communicate this analysis clearly and briefly for the executive team and have the supporting data for those who want to probe deeply.

Designing the Aspirational Customer Experience

After Gaining New Insights on What Customers Expect, Companies Must Translate Them Into an Experience That Works

Author

Bill Quinn

Director—Customer Experience Solutions, Global Consulting

Introduction

Once a company clearly understands the state of the customer experience it delivers to customers and how it compares to those of competitors, it must determine where and how to improve the experience. As we put it, the firm needs to design the ‘aspirational’ customer experience.

We say ‘aspirational’ here because it will be directional—a direction in which the company needs to move, not a fixed or final destination that when reached is complete for a couple of years. Those days—for example, of redesigning a retail store format every five years, an e-commerce site every two years, or a bank branch every 10 years—are over. Customer expectations will continue to evolve, competitors will improve their customer experiences and digital technology will continually advance—all demanding frequent experience improvements. Companies must get accustomed to perpetually refining the customer experience—especially their digital experiences.

As important, that aspirational design should be greatly influenced by the insights the design team gleans from social and unstructured data. That is the so-called 'fourth listening post' we described in an earlier article in this volume of *Perspectives*. That data is crucial today because it enables a company to design a customer experience based on massive amounts of unprompted, unvarnished customer input—that is, what customers are saying about the experience they expect from a company. It is real-time, visceral, and voluminous feedback.

This is a new and huge gift to customer experience designers. No longer must they rely on faint and episodic customer signals: anecdotal feedback from sales and customer service staff; periodic site visits to stores, branches and other distribution points; Net Promoter Score surveys or focus group sessions; or their customer relationship management systems. That information is still important. But when married with social and unstructured data, it provides a much more high-fidelity

view of customers' profiles and their experience expectations.

The opportunity to leverage social and unstructured data will continue to grow rapidly as well, providing more insight and context for designing the customer experience. Since 2010, the number of monthly Facebook users worldwide has more than doubled, from 608 million to 1.3 billion in June 2014.²⁷ That implies there will be more than twice the number of comments to analyze (not even accounting for the possibility of more comments from each social media user, or from new social media channels). And the volume of data emanating from digital sensors, smart meters and other Internet devices is skyrocketing as well. The number of installed digital devices (often called the 'Internet of Things' market) is projected to rise more than fourfold, from 1.9 billion in 2013 to 9 billion by 2018.²⁸ This new generation of connected devices will gather data on customer usage patterns, behaviors, and preferences, helping companies develop a customer experience design to tailor customer interactions, improve products, or reward loyalty.

²⁷ Facebook statistics from a Facebook press release, <http://investor.fb.com/releasedetail.cfm?ReleaseID=861599>, and from an article in *The Guardian*, "Facebook: 10 years of social networking, in numbers." 2013 July, Aug 2014, <http://www.theguardian.com/news/datablog/2014/feb/04/facebook-in-numbers-statistics>

²⁸ From a 2013 study by BI Intelligence, as mentioned article in Business Insider, 2013 Dec, Aug 2014 <http://www.businessinsider.com/growth-in-the-internet-of-things-2013-10>

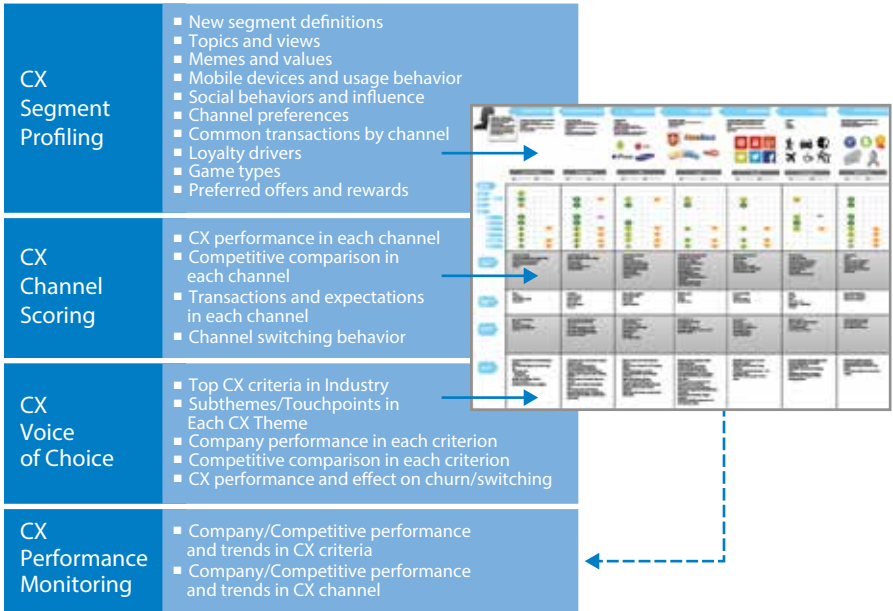
Engagement Mapping: The Cornerstone of the Aspirational Customer Experience

To design a new customer experience, the experience design team must determine exactly how the company needs to interact with customers on two dimensions:

- **Over the entire customer lifecycle**, from the time even before customers are aware of your product (that is, the moment they decide they have a need), to the time they begin their research on a purchase (which increasingly is an online search or social media inquiry) to the time they are no longer a customer.
- **Within and across customers’ preferred channels for doing business**— such as, a company’s website, mobile apps, stores or other distribution points, sales force, and so on.

We refer to this as the customer experience engagement map (Figure 7). It is the key tool for designing the aspirational customer experience. These maps are the framework for experience designers to use insights from all four listening posts— internal customer data, primary customer data, third-party data, and social and other unstructured data—to design the new customer experience.

Figure 7. The Customer Experience Engagement Map



These maps force rigor into the design process. They are not based on subjective feedback or ‘persona maps’ representing fictional customers created by a roomful of marketers based on anecdotal information. Customer experience engagement maps use actual data to develop segment profiles, define customer preference criteria, evaluate channel performance, conduct competitive analysis, and identify criteria for customer churn.

This data and insight not only ensures an experience design that meets customer needs, it sparks innovation. Real data on the customer experience also prevents companies from vastly overspending or under-spending on new customer experience capabilities and changing the experience in the wrong way.

Reining in a Retailer’s Ambitious Experience Reboot

The tale of one client, a large retailer, illustrates the importance of the engagement map. The company believed it had fallen behind competitors in responding to customers who carried smartphones into its stores. The experience design staff thought it had to make far-reaching moves to catch up—for example, enabling people to pay with their mobile phone, being aware of customers who were in the vicinity, being able to detect showrooming (people in a store who get product information and then order from an online retailer) and more.

They asked us, “How do we find shoppers who are near our stores and get them to come inside?”; “How do we promote to them in the aisles?”; “How do we detect and stop them from showrooming?” Such capabilities are extremely complex to implement and can require major investments.

But when we looked at their biggest market segment we found the vast majority were using only basic features on their mobile phones such as text messaging and picture taking. Only a minority were using more advanced shopping features. Our advice to the retailer was to start with improving its text messaging interactions with this segment, and consider adopting more elaborate mobile capabilities later—when more customers in its biggest segment were ready for those features.

With that in mind the components of the customer experience engagement map are:

- **CX Segment Profiling** defines customer segments and sub-segments, and identifies usage behavior for customer activities including mobile devices, social media channels, common transactions by channel, game usage and type to establish a detailed profile of customers that will aid in determining their desired customer experience.
- **Customer Engagement Criteria** identifies channel preferences, loyalty drivers, memes and values, social media topics and engagement styles to help inform the customer experience capabilities that will increase engagement and long-term loyalty.
- **Channel Analysis** evaluates the transaction preferences and expectations for digital and traditional channels, the performance of each channel, and channel switching and failover behavior.
- **Top Customer Experience Preferences/Criteria defines** the highest-value customer experience components for customer segments and sub-segments.
- **Competitive and Churn Analysis** compares the performance of customer experience criteria against that of competitors, compares customer churn ratios against competitors, and defines propensity to churn using social switching indicators.
- **CX Capabilities Identification** is where the fun begins. At this point experience designers take inputs from all the customer experience criteria listed above to come up with capabilities that will deliver a differentiated customer experience for each customer touchpoint. A combination of programs and technologies, capabilities can range from simple changes to existing touchpoints that produce fast and inexpensive results to innovative, emerging technologies that deliver game-changing experience improvements.

Capabilities Scoring: Prioritizing Customer Experience Programs and Technology

When deciding which customer experience capabilities should be developed, all too often the person or team with the strongest personality in the room are the ones who get their initiatives moved to the top of the list. The result rarely yields the best customer experience or outcome for the business.

Instead, we recommend developing a scoring framework with a defined set of metrics and KPIs against which capabilities are evaluated. This data-driven approach

puts rigor and discipline into the process of deciding which capabilities should be developed and in what order.

Each capability identified in the engagement map should be grouped into logical categories, and then expanded to include key features, business objectives, KPIs, references or relevant examples in the market, and profile behaviors that support the need for each capability and feature. From there, each capability and feature should be scored against a set of key criteria that should include:

- **Technology:** Use existing technologies? Deploy new ones?
Build, buy or partner?
- **Competitive:** Does this capability bring us to competitive parity or provide differentiation?
- **Innovation:** To what degree is this capability introducing innovative capabilities to our customer experience?
- **Behavior:** How well does this capability address the customer experience behaviors and engagement criteria identified in the customer experience map?
- **Cost:** How costly will this capability be to implement?
- **Dependencies:** Is this capability/feature dependent on other technology in order to implement?
- **Implementation:** How complex is this capability and how long will it take to implement?
- **Integration:** Does this capability require integration with other systems?
- **Maintenance:** How difficult and costly will this capability be to maintain over time?

Each scoring criteria should be weighted so that the ones that are most important to your business are given greater importance than those that do not. For example, if being perceived as an innovative company and competitive differentiation are critical to your corporate strategy, those categories should be weighted higher, while cost and implementation might be a lower priority.

Figure 8: Capabilities are Scored and Ranked Against Strategic Priorities

Future Programs Features Scoring Bank			Category Weight								Category Scoring		
Program	Sub-program / Feature	Priority	100%	90%	80%	70%	60%	50%	40%	30%	Score by program	Score by feature	Score by priority
Customer Data & CRM											13.4		
	Real address for just-in-time pricing delivery of goods at 200+ retail store level		3	1.5	0.8	2.6	3	3.8	0.7	1.6	14.2	14.3	
	Product/MSI/price, program & program product, image		3	2.6	2.4	2.6	2	2.4	2.1	1.6		15	
	Market basket performance vs. PMS/MSI		2	2.8	1.6	2.6	2	2.4	2.1	1.4		13.2	
	Type for delivery of services over PMS/MSI		3	2.6	0.8	1.3	2	2.4	2.1	1.4	10.2	12.1	
	Advanced user-facing experience		3	1.3	0.8	1.3	1	1.2	1.4	0.8	12.3	8.8	
Local Market Insights											13.6		
Product search and Discovery											14.8		
Marketing and Insights, Analytics, Recommendations											12.1		
Industry Research / Insights											12.3		
	Local investigation insights into service life		1	3	2	2	1.6	1.2	1.4	2.3	12.3	7.8	
	Local investigation insights into service life		1.2	2.3	3.8	2.3	2.1	1.2	2.4	2.8		12.6	
	After local insights into service life		1.3	2.3	2.8	2.3	2.1	2.2	2.4	2.8		13.6	
	Expanded insights into service life		3	2.2	2.4	2.6	2.1	2.2	2.4	2.8		11.4	
	From insights into service life		2.3	2.1	2.3	2.4	2.1	2.3	2.4	2.2		8.8	
Mobile & IoT Integration											14.2		
Mobile & IoT											12.2		

When you have finished scoring, you will be left with a well-defined list of capabilities and key features that are prioritized by criteria aligned with your corporate strategy (Figure 8). In addition, you will have clear objectives and KPIs to track the performance of each capability over time.

Customer Experience Business Reference Architecture and Roadmap: Aligning Business and IT

A critical component to any customer experience strategy is tight alignment between business and IT. All too often we see customer experience initiatives fail because business teams do not clearly articulate needs and priorities. As well, we have seen IT stall out or not execute quickly enough because of poor direction or competing priorities. The result is in-fighting amongst teams, or worse, business managers circumventing IT with outside resources. That results in 'shadow IT' projects that lack a holistic solution across the enterprise.

The conclusion of the customer experience scoring process is a great time to bring the IT group into the capabilities development process. Thanks to the categorization

and prioritization of capabilities done during scoring, creating a business reference architecture (Figure 9) and roadmap (Figure 10) is a relatively quick process.

These documents will help IT quickly get an understanding of the landscape and priorities of customer experience initiatives, and facilitate a conversation that gets everyone moving in the same direction.

Figure 9: Business Reference Architecture

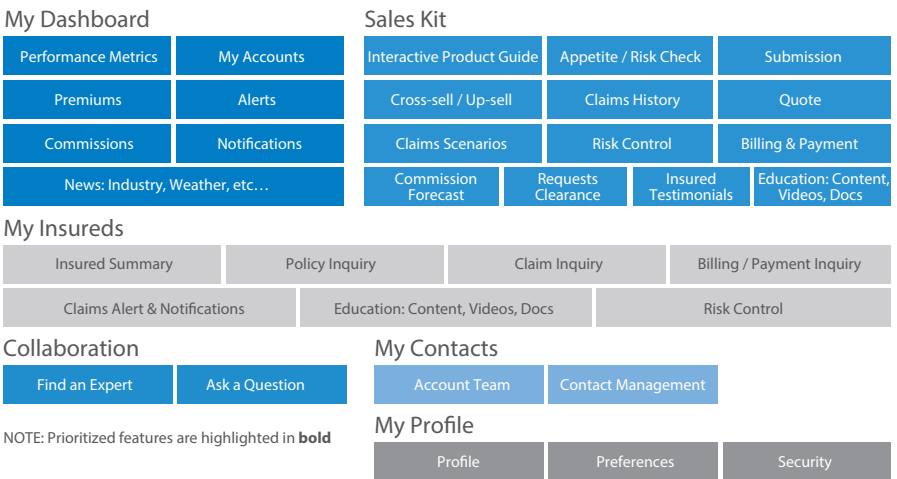
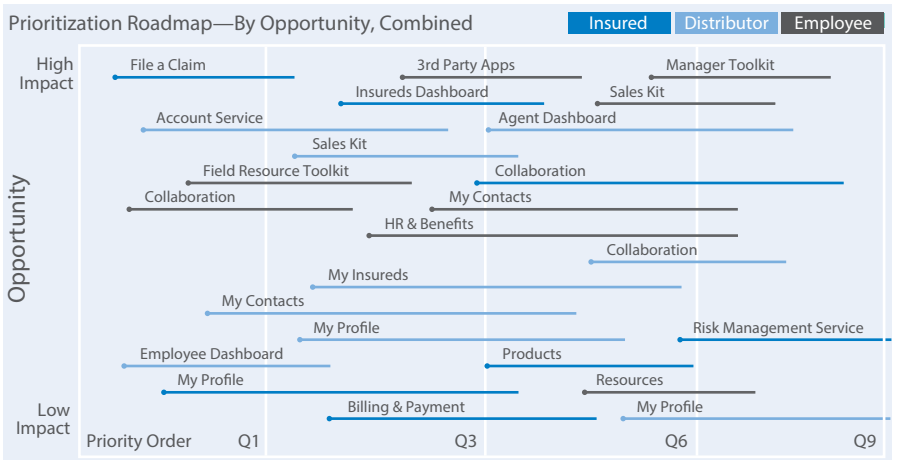


Figure 10: Prioritization Roadmap



Return on Customer Experience: Creating a Business Case

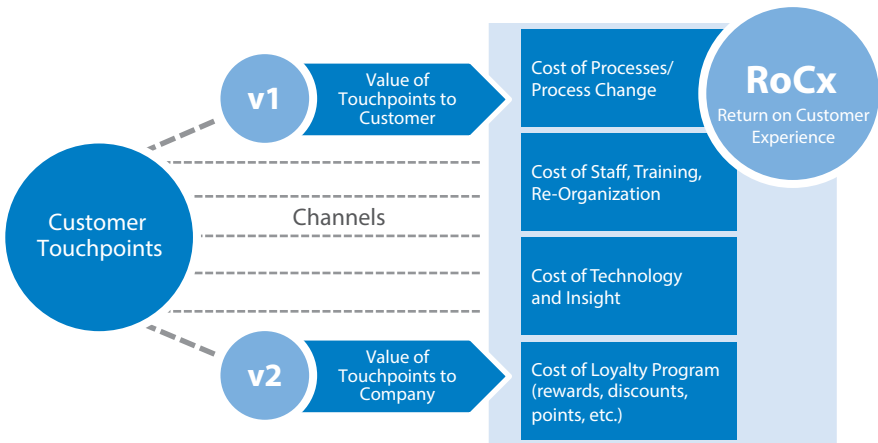
Proving the business value of customer experience initiatives has become a critical element to any customer experience strategy. Gone are the days when customer experience initiatives were small, one-off projects that did not have a large impact on the business from a financial or staffing perspective. To succeed in customer experience, businesses need to develop enterprise-wide capabilities that connect systems and departments. That will produce a financial impact that spans the business as well. That impact needs to be calculated and measured from a cost/benefit perspective (Figure 10).

To calculate the return on customer experience strategies, businesses need to evaluate from two perspectives:

- 1. The value of the touchpoint to the customer:** How will this initiative change customer behavior, drive more engagement, or create long-term loyalty?
- 2. The value of the touchpoint to the business:** How will this initiative generate new revenue, reduce costs, and allow staff to shift to higher value work?

Once you have determined the value of each touchpoint to both the business and customer, you can estimate the financial impact from a cost and revenue perspective. If you are new to implementing or measuring customer experience strategies, we recommend starting by estimating ranges to run 'what if' scenarios that let you calculate an aggressive or conservative return.

Figure 10: Return on Customer Experience Framework



You may find this exercise daunting at first. Estimating the degree of impact customer experience capabilities will have on the customer or business can be an inexact science until you have historical data to draw from. The greatest value initially will come not in developing the analysis in the first place, but rather in having the metrics from which to measure progress over time.

Conclusion

Creating a customer experience that drives long-term engagement and loyalty is no longer a nice-to-have strategy. Customers simply have too many options today that will deliver the experience they demand, and they are all too happy switch to competitors. While designing an aspirational customer experience can seem a daunting task, it is critical to get started before it is too late. The right insights and experience design process will greatly improve the odds of a providing a successful customer experience.

Customer Experience Design Checklist

✓ Create a customer experience engagement map that details:

- Customer segment profiles
- Customer engagement criteria
- Channel analysis
- Top customer experience preferences and criteria
- Competitive and churn analysis
- Customer Experience capabilities identification

✓ Develop capabilities scoring that identifies:

- Programs
- Sub programs
- Key features
- Business objectives
- KPIs
- Segment profile behaviors that support the need for the capability
- References or relevant examples in the market
- Weighted scoring criteria priorities
- Prioritized capabilities based on scoring

✓ Build a customer experience business reference architecture and roadmap

✓ Analyze returns on customer experience

Is the New Experience Working?

How to Measure Success

Author

Lisa Fairbanks

Lead—Customer Experience Strategy and Insight, Global Consulting

Introduction

Companies used to get market research annually and quarterly. This intermittent reporting made it seem that customer satisfaction factors were static, changing very little from report to report. Our research in customer experience criteria—TCS Voice of Choice—shows that what makes customers satisfied or angry, engaged or indifferent, loyal or ready to bolt can change substantially month-to-month and even city-to-city.

Consider the mobile phone industry. For years, multi-year contracts have been a huge source of customer frustration. But with carriers abandoning contracts—and some even paying potential customers up to \$650 to break their contract with competitors to cover the early termination fee—contracts no longer lock customers into one company, and barriers to entry and exit have continued to evaporate. With customer switching costs so low, businesses need to continually monitor customers' changing expectations and adapt accordingly.

Yet many organizations continue to rely on the traditional sources of customer insight—focus group interviews, Net Promoter Score surveys, and the like—reported, at

best, monthly. And companies tend to monitor from an ‘inside-out’ view, with metrics and measurement systems that reflect the performance of their internal organization, not the holistic experience of the customer. For example, companies report metrics channel by channel: web reports, store reports, call center reports vs. what customers experience across those channels. Companies do not design customer experiences this way, so why are they measuring performance this way?

Managers need new measures for the new experiences they’re creating. Fortunately they can use social and unstructured data (for example, text from call center discussions)—the ‘Fourth Listening Post’, as we’ve referred to it in this publication—to measure the holistic customer experience performance over time, based on direct and unfiltered feedback from customers.

The key is knowing what to measure, how often, and the best sources of data.

Identifying Audience Segments

Each customer segment will have different behaviors, engagement criteria, and loyalty drivers. This means customer experience expectations will be different for each segment, and therefore the KPIs (Key Performance Indicators) for measuring, monitoring, and improving the experience will also be different. You must segment your customers and understand the customer experience criteria for each segment. Otherwise your KPI metrics will take a ‘one-size-fits-all’ approach. Companies cannot act specifically on an ‘average customer experience’ rating. For actionable customer experience insight you need to monitor the specific KPIs by segment.

Identifying Customer Experience Themes

Each customer segment will also have different reasons for why they chose your brand or product. Analyze and benchmark these customer experience criteria for each segment. Using text analytics to mine social media discussions, call center and chat transcripts, and customer emails will reveal what matters most to customers. After you have identified these customer experience criteria, group them into logical themes. The themes will help you establish KPIs and spot emerging trends for each theme.

For example, one of the biggest themes for some segments in the insurance industry is billing—why premiums increased, how to make a payment, when a

bill will arrive, and so on. By analyzing the enormous volumes of customer comments in social data, insurers stand to gain highly valuable insights into where they are missing and meeting customer expectations and why. But unless they leverage social insights, they will only be guessing at which themes truly drive customer behavior and engagement. They must discover the themes through social data analysis—not have themes dictated from the top of the company.

Internet service providers illustrate another example of a customer theme. A key industry theme is ‘bandwidth throttling,’ moments when bandwidth is (theoretically) constricted and affects how fast customers can view websites or download files. Whether a provider is actually throttling bandwidth doesn’t matter. The fact that consumers are talking about it on social media means that it’s a driver of the customer experience and therefore service providers must address it.

For each customer segment, the job of the social data analyst is to determine which themes are the most important ones to measure—that is, what are the greatest drivers of met and missed customer expectations.

Determine Actionable KPIs for Each Theme

Selecting the right performance indicators is the critical next step in the development of your KPI reports. After you have identified the customer experience themes for each segment, you should determine where you are meeting and missing expectations for each theme, and why. This creates a performance benchmark we call the Customer Expectation Score. You can identify KPIs based on the topic of each theme, in addition to the customer experience criteria that determine met or missed expectations. For example, using TCS ChannelScore® (Figure 11) a retail bank might measure ATM performance based on uptime and malfunctions and establish KPIs to measure each of those themes by region, city, and neighborhood.

Many companies don’t follow a fundamental rule for KPIs: make them actionable. It is tempting to gather as many data points as possible or analyze just what is available. However, metrics that companies can’t take action on become merely interesting conversation topics that do not move business objectives forward.

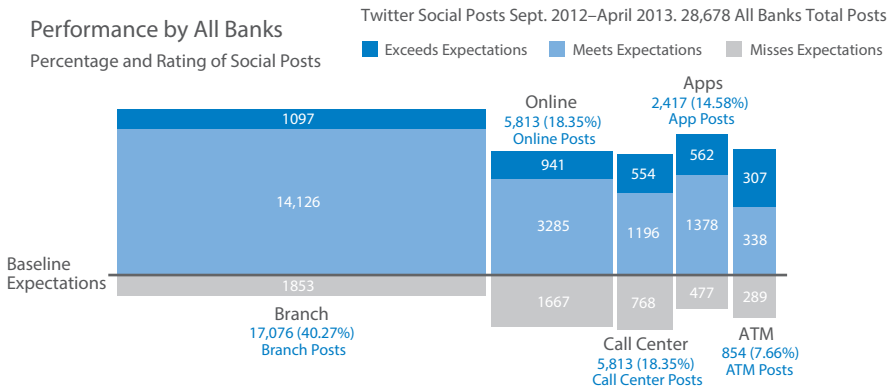
By instituting a certain measure, managers should know what kind of improvements to make if the measure

Figure 11. Monitoring channel performance in retail banking

TCS ChannelScore[®] measures the performance of each channel affecting customer experience by monitoring social and unstructured data to calculate met, missed, and exceeded expectations for each channel, and the reasons why.

Use Case: How does the customer's experience vary across all channels to market? What does a customer expect their experience to look like?

Industry: Banking and Financial Services



signals trouble or opportunity. If something cannot be acted on, it should not be tracked. If a theme is deemed critical then operations need to change so that the company can act on the data and insight.

Determining Data Sources for Customer Experience KPIs

After you have determined your KPIs, where should you turn to collect the right data? We categorize data sources in four ways:

- 1. Internal data:** CRM records, Enterprise Resource Planning systems (ERP), point of sale systems.
- 2. Third-party data:** for example, ratings by firms such as JD Power, *Consumer Reports*, the American Customer Satisfaction Index, industry analysis and others.
- 3. Primary data:** from focus group interviews, Net Promoter Score surveys and other surveys, Nielsen sales data.
- 4. Social and other unstructured data:** in the form of text, video, and other comments from public social media sites such as Facebook, Twitter, Instagram, and Pinterest, from private online communities that many companies have developed, and from call center transcripts, emails, chat messages.

Of these four data sources, social and unstructured data provides the greatest opportunity for ‘game changing’ insights into the performance of customer experience. It is also the one that even the most metrics-driven companies need to improve. Social and unstructured data provide the most valuable real-time customer feedback and can be an effective early warning system for customer experience problems—whether a bug in a mobile app, a defective car part, or a competitive pricing move that’s shifting market share.

To be sure, the other three sources of data provide useful customer data. But social and other unstructured data can validate, enhance and direct your analysis of the other three sources as well. There has never been a data source as rich as social media in gathering customers’ unvarnished views of your company and competitors every day—at least not one so readily accessible and cost-effective. Some of the best insights a company can derive from social media come from the online communities they develop for customers—their private social media, if you will.

Normalizing Data Sources for Each Customer Experience KPI

While gathering data from multiple sources is a boon for increasing the accuracy and regularity of your KPI reporting, it can also present challenges. One you may encounter is normalizing KPIs across multiple data sources. For example, measuring how well your support center is performing based on comments on social media, feedback on satisfaction surveys, call center transcripts, and chat message records creates a wealth of data. But not all of those data points will fall neatly into the same KPIs, and not all of them should carry the same weight.

To normalize the data, you have to map each data source back to your KPIs. If a source doesn't provide accurate or meaningful data for your KPIs, remove it from the data set to avoid skewing your true performance, or modify the collection method so that it does.

For example, a comment left on a social media site during or directly following a customer support call will better reflect a customer's true experience than will a survey given days or weeks following the call. When you establish your KPIs you must take all data sources into consideration, then determine which should be given the greatest weight in terms of accuracy and importance.

Determining How Often to Measure KPIs

The next task of a data analyst is to monitor and report on KPIs at the correct frequency for the business. This depends on a couple of things. The first is the regularity of the occurrence of a particular theme. For example, if you're a major e-retailer and one of your customer experience themes is related to seasonal order processing, you may only report on related KPIs annually or quarterly. Conversely, if your business is a retail bank, you may monitor branch performance monthly and mobile performance weekly or even daily to quickly detect and resolve issues.

Another factor that determines your reporting interval is how quickly your company can respond to the results of the report. If your IT processes dictate that you can only make website updates on a monthly basis, you may decide to report on those metrics only monthly. If a bank can only make quarterly changes to its ATM systems, a quarterly view on KPIs may be more appropriate.

Nonetheless, every company's goal should be to respond faster—to become more agile—and increase reporting frequency.

Competitive KPIs

While measuring KPIs against a set of themes and performance indicators is important, you must also understand how you compare to competitors. While you may think you're performing well in a certain category, you might find you're lagging far behind in comparison to competitors. That gives them an opportunity to grab market share, in spite of the fact that a particular theme may not be a perceived weakness for your company.

In addition, you'll want to identify and closely monitor the key themes that cause consumers to switch from one brand to another. TCS' proprietary Voice of Choice® solution helps

customers identify the ratio of customers joining and leaving a brand, and the reasons why, providing an early warning system for detecting potential shifts in market share.

Assigning Ownership: The Customer Experience RACI

A common problem with customer experience KPI reporting is that companies run reports for the first few months, but as teams become distracted with other priorities, reports are produced less frequently and eventually not at all. To prevent this from happening, we recommend using the RACI (Responsible, Accountable, Consulted, Informed) responsibility assignment matrix to be sure key players are identified and held accountable for delivering reports on a timely basis.

- **Responsible:** This person is responsible for producing, compiling, and distributing KPI reports at the specified intervals.
- **Accountable:** This individual is accountable for ensuring reports are developed and delivered on the specified date and that data is complete and accurate.
- **Consulted:** This Subject Matter Expert (SME) is consulted when questions arise about KPIs or the associated reports. He or she understands both the business process around any given KPI, as well as the metrics associated with it.
- **Informed:** This person is kept up to date with reports at the pre-determined intervals.

Conclusion

The days of paying scant attention to the quality of the experience delivered to customers and the performance indicators of that experience are over for virtually all businesses. The good news is that actionable data has never been more readily available. Social media and other unstructured digital data give companies an unprecedented means of monitoring the customer experience by the moment—and improving it rapidly.

Once businesses get over the fear of being 'exposed' by the data they monitor and instead embrace it as a way to deliver the customer experience they are striving for, they can make real progress in attracting customers and creating long term loyalty.

Experience Measurement Checklist

The keys to measuring the customer experience today are:

1. Customer Experience KPI Report Construction

- ✓ Determine audience segments
- ✓ Determine customer themes by audience segment
- ✓ Determine the KPIs for each customer experience theme (customer expectation score: met, missed, exceeded and percentage of volume)
 - Customer experience theme #1
 - Customer experience theme #2
 - Customer experience theme #3
- ✓ Determine data sources for each customer experience KPI
 - Customer satisfaction survey
 - Net Promoter Score
 - Social media data
 - Customer support call records
 - Customer communities or support forums
- ✓ Determine process for normalizing data used from multiple sources

2. Customer Experience KPI Report Contents

- ✓ Active customer experience theme #1
 - Performance for the month
 - Competitive performance for the month
 - Month-over-month change for the month
 - Month-over-month change for competitor
- ✓ Active customer experience theme #2
 - Performance for the month
 - Competitive performance for the month
 - Month-over-month change for the month
 - Month-over-month change for competitor
- ✓ Active vs. archived customer experience themes
 - Comparison of active themes vs. archived themes from 3,6,9 and 12 months prior

3. Identify CX RACI

- ✓ Responsible for compiling report
- ✓ Accountable for providing report
- ✓ Consulted about report content or themes
- ✓ Informed about reports, delivery, problems

Coming Next: The Inside-Out Transformation to Be a Customer-Centric Responsive Business

This volume of *Perspectives* illustrated the opportunities and the challenges of the first half of creating a customer-responsive business: deeply analyzing the experiences the customer wants and determining what must change. As we mentioned earlier in this volume, this is the ‘outside in’ part of the transformation. Designed right, the new customer experience should provide a detailed blueprint to greater customer loyalty, profitability and revenue.

However, the best design on ‘paper’ (which, of course, is increasingly a computer screen) will only be as good as the operating model an organization has to execute that design. The core elements of a company’s operating model—its people’s skills, business processes, technologies, and cultural values, beliefs, measures and incentives—in concert must be able to execute the new experience design.

This is the inside-out part of building a customer-responsive business, the second half of the journey. Because so much of the customer experience today and over the rest of the decade must be a *digital* experience—on a smartphone, computer screen, tablet device, or an electronic device attached to a product—companies cannot build these customer-facing operations the way they used to. That is, they cannot design business processes, technologies, and job descriptions in ways that more or less cement them in place for a few years—until the next customer experience update forces them to be changed. Instead, they must build a new operating model that they can update rapidly to respond to customer, competitive, and other market shifts.

Creating such an agile operating model is what the next volume of *Perspectives* will cover. As with this volume, the next publication will explain the changes companies must make using real examples and specific guidelines from our work with clients around the world.

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Director—Business Transformation

J. K. Kumar

Business Relations Manager and Lead for CX Solutions—Telecom and Media

Praveen Kumar Pandian

CX Solutions Project Leader—Telecom and Media

Aix Ho-Kong-Ciat

Senior Manager—CX Transformation (France)

Sumit Misra

Lead GCP Research (North America)

Serge Perignon

Global Head—Marketing and Thought Leadership, Global Consulting
Editor of *Perspectives*, TCS Consulting Journal

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