

Domino

*How Customer Experience Can Tip
Everything in Your Business toward Better
Financial Performance*

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Saint Paul, MN

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Any how-to book worth the paper on which it is printed requires a definition: *How to do what?*

Customer experience is discussed often but rarely defined. Here is my definition:

Customer experience is what happens and how customers feel as they:

- realize a **need**,
- **learn** about you,
- **try** you out,
- **buy**,
- **solve** their problem, and
- **evolve** to another need over time.

This book is about how to define a target customer experience, then use it to create measurable performance reward.



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Introduction: The Line of Falling Dominos

Several years ago I taught a roomful of graduate students in the MBA program at the University of St. Thomas in Minnesota. On the first night of the course, my students turned the tables and taught me a valuable lesson.

I had given the students a daunting challenge: I told them to imagine that the board of directors of a \$600 million publicly traded company had just named them to the job of CEO. After a hearty congratulations, the board had dropped a “think-quick” bombshell:

“The auditorium next door is filled with people from all of your stakeholder groups. There are some current and potential customers, some employees, some shareholders and some members of the communities where we do business. They have asked for a quick five-minute speech from you, and they really just want to know one thing: *‘What is the purpose of your business?’*”

After I bolted the door to keep my students from running away, I gave them 20 minutes to collaborate on the five-minute speech the CEO should give. They debated and argued their way to a concise definition of the purpose that would drive daily decisions across their company. I listened in (and ducked to avoid thrown objects).

First I heard: “The purpose of a business is to make a profit. Without a profit, there is no money to hire people or create new products and services or give back to the community or reward shareholders.”

Then someone argued: “No, the purpose of our business is to create something truly unique that no one else has. If we do that customers will seek us out, and that will drive revenue. And revenue will attract great employees that will create great profits, enabling us to give back to our communities.”

A whole group of students argued that the purpose of the business is customer satisfaction: “Our purpose must be to delight customers so that we will have sustainable revenue, and we’ll figure out how to ensure we are profitable.” Someone else argued for providing meaningful jobs to society.

As I listened to their list of “purposes,” I started to visualize a line of falling dominos, several of them standing on their edges single file,

front to back in a row, poised so that when the first domino is tipped, the whole line falls cleanly in succession, a precise chain reaction of events.

I realized my students were arguing over what should be the front and back dominos. In the back – the measure of success or failure. This is the outcome domino. They decided that for the firm I asked them to lead, the outcome metric is profit (and I agreed). In the front stands the purpose domino – the action domino that drives all the others to fall into place. It was my purpose question that had spurred the debate. That’s where things became really interesting.

In a nutshell, the class was arguing about what should be the driver of daily decision making in order to achieve a financial performance reward. If the back domino was profit, and the operating actions of a company were all the dominos in the chain reaction between the front and the back, what would they name that domino that stood at the very front of it all?

At the last moment one of the women said, “What if we matched a problem we could solve well with a big target market of customers who would truly value having the solution? That would drive revenue (because it’s a real problem for a big market) and margin (because the solution is valuable). That would attract great employees, who could anticipate more needs to solve well. Solving lots of problems well at good margins will contribute mightily to our ability to give back to the communities where we do business. Customers would be advocates for our brand. And we would have plenty of return for our shareholders.”

She turned the room.

She saw a link between the action of solving a problem well (the purpose of a business), and financial performance (the outcome).

Driving home after that class, I reflected on how often I had witnessed business leaders miss that valuable link. I thought about how often I had seen them see it but *dismiss* it. How some had confused purpose with outcome, and therefore poorly aligned their operating strategies. I considered other leaders I knew who had somehow used the link to make a profound positive difference for their organizations. And of course, I thought about how often I had missed, dismissed or embraced the link in my own successes and missteps as an executive – one who was trying “customer experience” as the front domino long before it was a common phrase on business bookshelves.

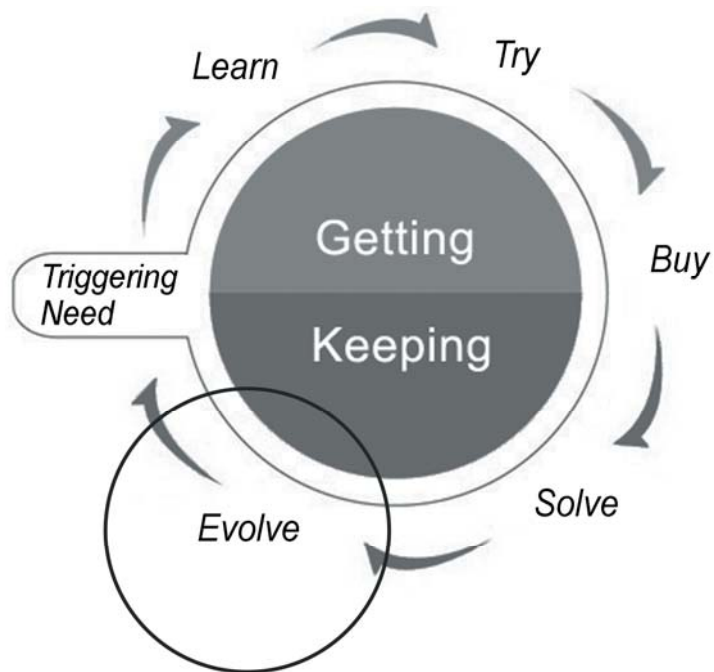
Shortly after that class, our consulting firm, Aveus, completed its first of two rounds of empirical research, in which we studied several companies – across a broad variety of sizes and industries – to define the link between customer experience and performance. The statistics validated the existence of this link, and prompted us to take a deeper look at those organizations that were doing best at unlocking a performance reward. Our goal was to identify the factors these high-performing companies had in common. Excited by our findings, I started thinking about writing a strategy book.

Then over dinner, my business partner Chris and I had an aha moment: A strategy book full of models and case studies may have its place in my future, but what leaders really need is a *how-to* book. What if I could prove how customer experience can create a performance reward by providing real-life, day-to-day, how-to-execute assistance to the leaders who hunger for it? What if we could offer usable tools and instructions to help companies *do something* with the knowledge that customer experience can lead to better business performance?

That help is now in your hands. With it, you have the key to unlocking great financial rewards from your customers.

Chapter 7: Big Wheel Keep on Turnin'

You're either with them, or you're against them.



As your customers enter the aftermath of their problem solved (or not solved, as the case may be), their role in their unfolding experience becomes less of a task and more of a compulsion. They now have an opinion about whether their need was met by your solution, and how well, and they likely will sound off about it to family and friends, to coworkers, to the media, to total strangers. Maybe even to you. They start moving past the need or desire that triggered this experience by sharing the end of the story from their point of view.

Some will use words to share what they think. There is the guy who vilifies a certain airline by name on his blog because of a flight delay last Thursday morning, or the mid-level manager who proudly reports to his peers and executives that his division's product launch cycle has been cut in half thanks to that new collaboration software he had championed and implemented. Others will share how they feel less through words and more through their actions. Think of the woman who returns four of the five things she ordered from a shoe Web site she has been buying from without remorse for years, or the investment client who registered early and was first to arrive for her broker's semi-annual client educational seminar. One way or another your customers will follow the basic human compulsion to share whether they got what they wanted. At this step, your business—like every business on earth—has vocal advocates and equally vocal detractors.

They are either with you or against you.

Then, consciously or subconsciously, they start to move on. Once your customers' need or problem is solved (or, perhaps, not solved),

they will naturally develop a new need. Forever changed by what has happened and how they have felt throughout this experience, they – and their needs – evolve.

EVOLVE:

To share or reveal how a need was solved, while undergoing change or growth toward another (next) need or desire.

For your customers, this step begins once they believe the problem has been solved, or once they determine that it won't be solved at all. They will share through actions or words the realization they have made, and how they feel about it. This step ends for them when they've moved on, and find themselves back at the TRIGGERING NEED step of the experience wheel.

If they feel their problem was not solved, they may launch into that initial step again with the same needs they had before, and move swiftly to the hunt for new credible options. More often, their initial problem solved – adequately or excellently – they move on by evolving to a *next* need. In either case, once through this step, the customer experience wheel turns again.

From your company's point of view, this step is all about anticipation. You have two things for which to prepare. First, you must anticipate how your customers will share or act out their ideas, creating open and inviting channels for them to use, and effective ways to capture what they say and do.

Second, your job is to anticipate the *next needs* that emerge here, and get ready to solve them. Will your customers have the *same* next need in the future? Will they evolve to something similar but subtly different? Or will their next need take them farther afield, perhaps into territory that you don't necessarily consider your core competency today?

Some examples might help you envision this. Let's start with the beverage manufacturer who bottles water to supply healthy runners with the on-the-go hydration they need. Every time their target customer takes to the road, she will get thirsty. Her need will be the same. And yet, over time, she may tire of plain water and wish it had some flavor, or develop a yearning for a bottle that fits her hand better. Or consider a firm that manages meetings and events for corporations. A client that needed six large events planned end-to-end last year may realize it would benefit from assessing and

optimizing its vendor strategy, even as it plans to double the number of events it hosts in the following year.

In either case, you can aggregate these next needs to choose and measure future demand. The insights you gain as you anticipate your customers' evolved needs can inform your product and service development strategy, your approach to up-selling and cross-selling, and your long-term plan for sustainability.

ANTICIPATE:

To expect and capture a customer's ideas; to look for the next emerging needs that we can solve.

So the need for mutual self-interest goes both ways: You are either with them or against them, too.

The customer experience — and your organization's experience in pursuit of reward for a problem solved well — comes full circle here. In fact, your act of solving your target problem well for your target customer may be in and of itself the trigger that sets off that customer's next need. Are you prepared for that?

Success at this step requires these things:

- 1) *You give customers a big, easy platform from which to share their ideas.* You cannot be everywhere at once, so make it easy on yourself and your customer by building effortless ways to see and hear as much as possible. Welcome two-way conversation.
- 2) *You use what you learn as a clue to reveal the next problem, not as an indicator of which product to sell next.* Remember that the problem you solve is more important, always, than the product or service that you sell.
- 3) *You are patient enough to let customers leverage the investment they made in the current solution.* You avoid greed and impatience, so as not to push your ideal customers away by deluging them with pleas for the next sale. Your advances for new sales opportunities should be welcomed and relevant from your customers' point of view.
- 4) *You pay attention, mining future demand from the next needs of your current customers.* You may be compelled by the vision of shiny new customers in your pipeline. True, those new customers can be an important factor in your overall growth

strategy. But you do your organization a disservice to ignore the emerging needs of your *current* client base. Avoid the assumption that your current customers will continue to find their way back to you on their own, with the same problem or need as before. They are not immune to the process of evolution, and in their evolving needs you may find a channel for growth every bit as powerful – if not more so – than you will find among new prospects.

Stand by me

I wonder if you have experienced what I have seen happen in too many firms: the abdication of this step. Organizations run off to find more new customers, thinking the ones they have will automatically come back if their problems were solved. (Take a straw poll of your employees, especially in your marketing and sales disciplines: how many spent most of today working on getting new customers instead of on finding new demand from the ones you already have?)

Database marketing can be a powerful enabler for success in this step. Many firms collect and use robust data about customers' buying behaviors to predict what their target customer may desire next. Want to know what Amazon or iTunes recommends based on what you have bought? They are very happy to tell you. Often, they are startlingly correct.

The ones who get it right are the ones who enjoy payoff from their database marketing investments. Efforts that regurgitate other buyers' choices – or worse offer up the products or services you want to push for your own, internally focused reasons – can create the illusion that you are actively anticipating your customers' next needs, but that illusion will disintegrate quickly. It may even work against you if your customer sees nothing compelling or genuine among your recommendations.

Of course, when your target customer is freely expressing an opinion about your organization, your brand reputation is on display. To a watchful and customer-focused organization, this is a welcome opportunity to learn whether the opinions your customers share are consistent with what your brand promises. Brands are not created by organizations – they are built over time in the hearts and minds of their customers. But brands are certainly influenced by the

organizations behind them, by their marketing actions and by every customer touchpoint. Here is your chance to calibrate.

That said, your questions about your customers' connection to your brand are different than questions about whether you are properly aligning your every day operating strategy with your customer's experience. That is largely because the problem you solve is smaller than – and in the context of – your encompassing brand character.

Work in this chapter if you don't like or don't have your answers to these questions:

How many of your customers advocate for you? How many discredit you? How do you know?

Are you seeing and hearing the point of view of enough of your customers? (Are the things you've built to capture what customers say and do effective?)

Have you identified measurable future demand in your customers' emerging needs?

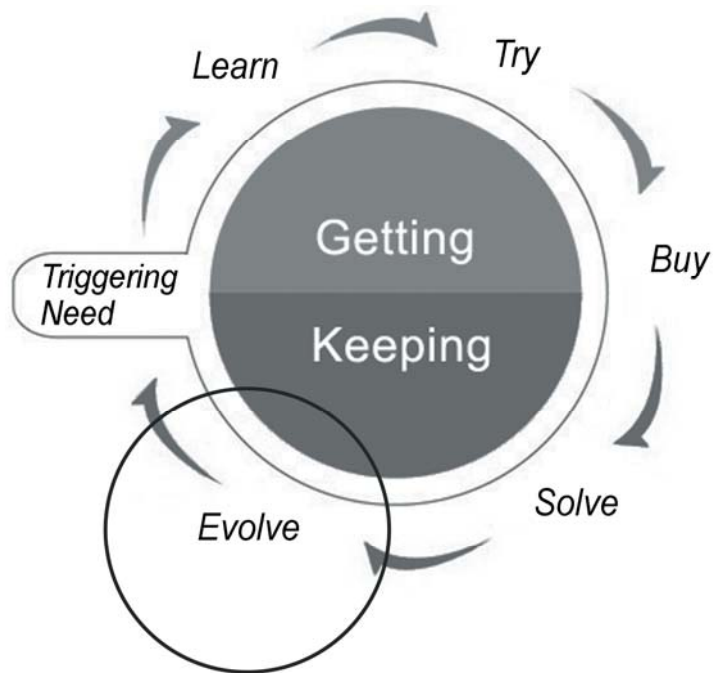
Do you consider your customers' likely next need when presenting new or repeat purchase opportunities to them?

Are your product development, R&D and/or innovation activities driven by evolving needs of your target customers?

Is what your customers do or say about your brand promise consistent with the brand reputation you want?

Are you satisfied with your product or brand's position in the marketplace?

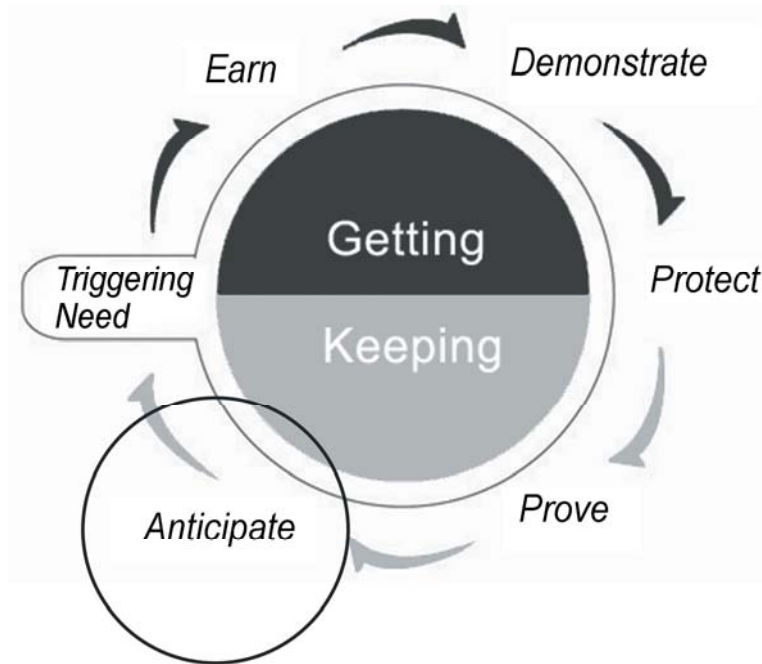
To (re)define how you boosting performance by anticipating the next need, consider the goals and actions of this step from your customers' and from your company's points of view:



Their goal: To move on; needs will evolve over time.

Their actions:

- Talk with the people in their personal circle whose points of view they most value (friends, family, colleagues, social networks).
- (Sometimes) say something to the seller.
- Demonstrate through words or actions how they feel about the effectiveness of the solution.
- (Sometimes) do something the seller can see.
- Develop an awareness of the next need or problem.



Your goal: Learn whether the customer is advocating or discrediting your solution, and anticipate the next need.

Your actions:

- Build openings to see, hear and capture customer points of view.
- Find out who is advocating for you, who is not and what those advocates and detractors say and do.
- Anticipate each customer's next need, and focus the ongoing experience on solving it.
- Determine if emerging needs are the *same* or *new* to the needs your company currently solved. If new, decide whether you can and should solve it.
- Aggregate customers' next needs to predict the future demand pipeline.

Use the work of others to spark your actions

These examples are particularly illustrative of the work you need to do:

Carlson Wagonlit Travel: From data to meaning

For an industry just three decades old, corporate travel management has demanded significant reinvention of its top-performing companies. Corporate travel management companies (or TMCs) like Minneapolis-based Carlson Wagonlit Travel (CWT) and New York-based American Express Business Travel have had to adapt their models several times to anticipate and solve the emerging needs of their clients.

One of these reinventions was forced by the rise of the Internet in the mid 1990s, when online travel booking Web sites exploded onto the scene. Now, instead of just offering their clients the services of knowledgeable travel agents, TMCs had to offer the efficiencies that new Web technology had introduced. Pundits predicted the Internet might kill off travel agency models. Instead, CWT had anticipated the need and built in-house its own, business-travel-appropriate version of an online booking tool. Meanwhile, anticipating that other tools would emerge, it ensured that its data and systems could integrate with third-party online booking tools as well, so clients could have an array of tools to choose from. In other words, the problem CWT existed to solve had evolved. Where before it strived to provide reliable, organized, and fiscally responsible travel booking services, now it was called upon to provide reliable, organized, fiscally responsible and *technologically efficient* travel services.

Today, online booking tools and travel counselors are both part of a typical corporate travel buyer's portfolio of services; more than two thirds of CWT's thousands of United States clients are using both a booking tool and travel agents for their employees' business travel.

Another reinvention was required as corporate travel buyers grew more sophisticated in managing their large travel budgets. For years, TMCs had been delivering complete reporting packages to their corporate clients – reports on air, hotel, car and other spend categories broken out by division, geography, traveler, and more. Buyers knew the data was valuable, especially for budgeting and benchmarking. But as the industry matured, finance and procurement departments increasingly began asking for analysis and context. It was one thing to know a company had spent \$3 million in domestic airline tickets

one year. It was another thing altogether to understand that if just a fraction of that money was spent with Airline A instead of Airline B, the company could qualify for a better discount with Airline A, yielding a savings tens of thousands of dollars per year.

CWT's response was to develop a consulting practice called the CWT Solutions Group, a team of experts in airline, hotel and ground transportation data analysis and negotiations. These analysts dive deep into a company's travel data to benchmark its contracted rates and spend against peers and industry averages, identify actions that would have the most impact on savings, and, if needed, sit at the table with the company as it negotiates with airlines and other travel suppliers for discounted rates.

While these and other trends combined to create a tumultuous industry, Carlson Wagonlit Travel has grown to become one of the two largest global TMCs in existence. Its ability to anticipate and adapt to emerging needs has ensured its ongoing relevancy and success.

Universal Hospital Services: From equipment to equipment life cycle

In 1939, a small company called Oxygen Tent Rental emerged in Minnesota to, as its name suggests, rent respiratory care equipment. Over the years the company evolved into Universal Hospital Services (UHS) as its product line grew to canvas the spectrum of medical equipment used by hospitals and other medical care centers, from defibrillators to syringe pumps to incubators for newborns. As the company aged past 60 years, it became an established provider of these products, and that's pretty much how the company marketed itself. Culturally, UHS defined itself by the products it sold.

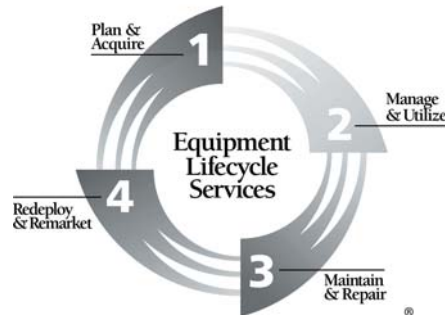
Enter new CEO Gary Blackford in 2002. Given his financial and legal backgrounds, one might have expected Gary to retain that focus on the product line. But against that grain, Gary instead proved himself to be incredibly focused on the *problems* that Universal Hospital Services solves for its clients.

He steered the company toward a new model, in which it anticipated the full spectrum of requirements its clients experienced, and then mapped those needs to the solutions that UHS was in a solid position to solve well. The result was UHS' "Equipment Lifecycle," a cycle of four customer needs against which UHS developed a suite of solutions.

At the “plan and acquire” stage, UHS didn’t just offer its equipment for rent, but offered to assist with inventory analysis and valuation, and to assess the cost of new equipment in view of the total cost of ownership throughout the Equipment Lifecycle. At “manage and utilize,” UHS realized that medical providers would see a

financial value in a system to better manage the use of equipment it had on hand. UHS developed proprietary software to track, report, and analyze the use of equipment across a facility, and offered the services of a team of experts to make sense of and act on the resulting data. At “maintain and repair,” UHS anticipated the need that all clients would have for ongoing equipment service, but also a need for specialized technicians on call 24/7 – which some clients might staff on their own and others might wish to outsource. It therefore developed the capability to provide outsourced 24/7 specialists. And finally, at “redeploy and remarket,” UHS saw another consulting opportunity. Not only did its customers need to have outdated equipment removed and sold, but they also had to understand how to relinquish outdated equipment at the best possible price. UHS consultants could walk customers through fair market value estimates, analyze manufacturer trade-in offers against re-sale and recycling options, and, of course, coordinate the deals and removal of equipment.

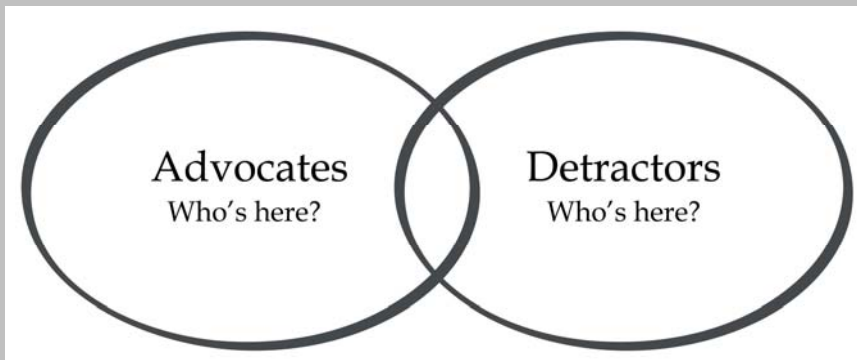
UHS is one of my favorite examples of focus on both current and evolving customer needs. In 2007, UHS reported \$264 million in annual revenues, a 17 percent increase over 2006. The company’s projected 2008 EBITDA is nearly 60 percent higher than it was in 2002.



The *Customer* Point of View (Mapping your target customer experience)

Exercise 7.1 The emotions of a problem solved.

QUICK! Imagine your customers split into two groups: those who advocate for your product, company or brand, and those who detract from it. How does the scene look? Heavily skewed to one side? Evenly split? Do you envision a large swath of people stranded in the middle, either because they're undecided or because you simply don't know what they think?



If you envision a large group of people without a strong opinion, think again. Your customers are likely not undecided, and they will tell someone what they think. (As Malcolm Gladwell pointed out in *The Tipping Point*, certain segments of the population may yearn to tell *everyone* who will listen.)

If you don't know whether big chunks of your customers are advocates or detractors, you may not have the mechanisms in place capture their point of view.

Exercise 7.2

Feedback channels

Create for yourself a virtual observation deck, where you can watch your customers as they share their opinions about you, your company, your solution and your brand with the people they chose. Imagine seeing who they talk to and through what channels. Now get it on paper. Use the following framework to assist your thinking. It might be helpful to enlarge the diagram below on a photocopier so you have room to write in the boxes.

Step 1: Begin by asking yourself for each square what channels your customers use to share their opinion. (Formal presentations? Casual chats? Blogs?) Also, rate each box with a number from 1 to 10 to indicate how vocal your customer is likely to be: score 1 for silent, 10 for yelling from the rooftops.

| | I loved it! | It was okay. | I'm disappointed | I'm angry. |
|-------------------------|-------------|--------------|------------------|------------|
| Friends & Family | | | | |
| Co-workers & Colleagues | | | | |
| Strangers & the Public | | | | |
| You & Your employees | | | | |

Step 2: Stand back and look at the boxes above. Now ask yourself this question: Which of these boxes represent feedback that you truly *hear*? Which of the boxes reach your employees' ears and eyes? Which do you record and measure? Which have the most impact on your daily activity?

Step 3: Assess the landscape. Does a pattern emerge that suggests you need to listen more in different places? Do you seem to hear and act more on negative feedback than on positive, or vice versa? Do you fail to capture the feedback directed at an entire row? In the boxes that you didn't mark as "heard" in step 2, what channels did you jot down that might make good sources of useful information for you and your employees?

Exercise 7.3

The Evolving Need

The customer experience is cumulative. People naturally become the sum of their experiences, memories and lessons learned. Your target customers receive input throughout their experience cycle with you, through external and internal events and triggers. Identifying those inputs is key to envisioning where they will lead.

The following questions may help you identify what your customer sees, hears and senses during their experience with your solution. Your goal: understand then change or manage these inputs to move your customer toward a problem solved well.

Understand what your customer learns, sees and hears as the need evolves.

1. In the course of interacting with this product or service to solve my need, I learned the following things first-hand:

Examples:

- *I hate assembling my own furniture.*
- *This reporting data takes a lot more time to sort and analyze than I thought it would.*
- *My employees are adopting this software more than I expected; my earlier estimates were too conservative.*

Your customers:

-
-
-

| | |
|--|---|
| <p>2. While I am solving my need, and after I'm done, I will hear and see other events that will contribute to my learning. Those might include:</p> | <p><i>Examples:</i></p> <ul style="list-style-type: none"> • <i>My neighbor's furniture came pre-assembled but it was a nightmare getting it into the house.</i> • <i>Our marketing team is asking for this data in a completely different format than what the finance team wanted.</i> • <i>Productivity is going down since we adopted this software a few months ago.</i> <p>Your customers:</p> <ul style="list-style-type: none"> • • • |
| <p>3. I begin to sense that I will either need the same thing again, something slightly different, or something completely different.</p> | <p><i>Examples:</i></p> <ul style="list-style-type: none"> • <i>I'm set for bookshelves now, but that coffee table could go and it would be nice if it matched...</i> • <i>I could use more help organizing this data.</i> • <i>Perhaps I should revisit whether this is the right software.</i> <p>Your customers:</p> <ul style="list-style-type: none"> • • • |

Exercise 7.4

I second that emotion

As your customers interact with your products and services to solve their problem, they interact mentally with the abstract concept that is your brand.

Begin by writing down your brand to be evaluated and, in a *single sentence or phrase*, the promise you make with that brand.

Next, indicate at least four emotions and at least four adjectives that come to your customers' minds when they interact with your product and service to solve their problem. *Caution: Answer this from your target customers' point of view, not from your own.* If you don't have the information or insight you need to do this, ask a few of your target customers for help.

Then note whether each emotion matches the emotions and adjectives *you* and your employees would tie to your brand.

Your brand:

Your brand promise:

Emotions it invokes:

Adjectives that come to mind:

Do the emotions your customers experience as they solve their problem match the emotions evoked by your brand and its promise?

Your Organization's Point of View (Defining daily actions that unlock reward)

Exercise 7.5 Re-calibrating the problem

What problems that you can solve well present the greatest opportunity for your growth among new and prospective customers? Beginning with the problem you solve today, and considering possible evolutions of that problem or different problems entirely, indicate below the level at which you concentrate on your options. Then mark your gut reaction on whether each area of focus results in profitable customer interactions. In the last column, note the percentage of your pipeline matches each area of focus.

| Today (What we do now) | | | |
|-------------------------------------|--|---|--|
| Focus | What level of concentration? (circle one) | Is this focus profitable? (circle one) | What portion of my pipeline does it address? |
| Solving the same problem repeatedly | HIGH MEDIUM LOW NONE | VERY SOMEWHAT SLIGHTLY NO | _____ % |
| Solving an evolution of the problem | HIGH MEDIUM LOW NONE | VERY SOMEWHAT SLIGHTLY NO | _____ % |
| Solving a completely new problem | HIGH MEDIUM LOW NONE | VERY SOMEWHAT SLIGHTLY NO | _____ % |

Are you satisfied with what you see in this chart? If no, try the chart again, but this time complete it with your *ideal* model:

| Tomorrow (What we should move toward) | | | |
|--|--|---|---|
| Focus | What level of concentration? (circle one) | Is this focus profitable? (circle one) | What percentage of my pipeline does it address? |
| Solving the same problem repeatedly | HIGH MEDIUM LOW NONE | VERY MODERATELY SLIGHTLY NO | _____ % |
| Solving an evolution of the original problem | HIGH MEDIUM LOW NONE | VERY MODERATELY SLIGHTLY NO | _____ % |
| Solving a completely new problem | HIGH MEDIUM LOW NONE | VERY MODERATELY SLIGHTLY NO | _____ % |

Exercise 7.6

Predictive selling

Predictive selling works well if the recommendations you make are:

- Offered, not forced
- Deliberate, not random
- Selective, not indiscriminate
- Focused on a real problem or desire your target customers want to solve

How do you do when presenting ideas to your customers for next purchases? Assess yourself, using the table on the following pages:

| | Excellent | Adequate | Poor |
|---------------------|--|---|--|
| Offered, not forced | <ul style="list-style-type: none"> * The customer is receptive to ideas. * The timing of recommendations is ideal from my customer's point of view. * The customer can "pull" my recommendations rather than have them pushed. * The customer has easy access to recommendations if they are wanted. | <ul style="list-style-type: none"> * The customer is usually receptive to my ideas. * The timing of recommendations is at least decent, from my customer's point of view. * I offer the customer some control over whether to see my recommendations; some are forced. * The customer can probably find recommendations, but it may take some work. | <ul style="list-style-type: none"> * I do not know whether the customer is receptive to ideas, or I know they are not receptive. * I do not know how my customer feels about the timing of recommendations, or the timing is disruptive. * Ideas are presented without the customer's consent or request. * The customer must work actively to find recommendations. |

| | | | |
|---|---|---|---|
| <p style="text-align: center;">Deliberate, not random</p> | <ul style="list-style-type: none"> * I base my recommendations on behaviors I witness in this customer. * Ideas are rooted in statistically sound data. * I track and measure which ideas are presented to customers, to ensure ongoing refinement of my predictive model. | <ul style="list-style-type: none"> * Customer characteristics have some bearing on which recommendations I offer. * Ideas are based at least in part on data and/or observations of this customer and other customers. * I track and measure at least at a high level what recommendations I make, to refine my predictions. | <ul style="list-style-type: none"> *Recommendations are not dynamic based on any customer criteria (i.e. purchase decisions, demographic, market segment, behavior). * I do not use any past customer data to guide choices. * I do not track or measure which ideas are presented to customers. |
| <p style="text-align: center;">Selective, not indiscriminate</p> | <ul style="list-style-type: none"> * I narrow down recommendations to just the one or very few that are most likely relevant. * For every recommendation I make, I could (and do) offer a logical explanation for why it was included. | <ul style="list-style-type: none"> * I don't limit the recommendations I make every time, but I try to weed out ones that aren't a good fit. * For some recommendations I could offer a logical explanation for why it was included; I don't necessarily do so. | <ul style="list-style-type: none"> * I offer several recommendations in the hope that at least one of them will "stick." * I couldn't explain to a customer why a given recommendation was put forward. |

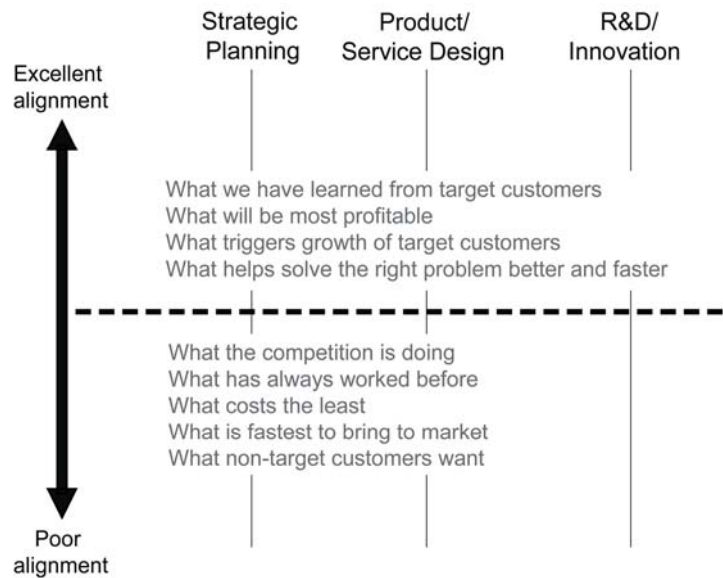
Exercise 7.7

Tune up your R&D drive train

Your research & development, product design, engineering and innovation teams all thrive on a steady stream of inputs. If the stream is weak (say, awareness of your customers' emerging needs is hard to come by), designers and innovators are forced to find stronger streams they can rely on (such as cues from what competitors are doing, or the ideas being championed by your most vocal IT guy).

On the diagram below, plot an X on each line under the three categories – Strategic Planning, Product/Service Design, and R&D Innovation – to indicate where you believe each team falls on the spectrum of alignment based on the inputs it uses today. The text in the middle offers examples of the types of inputs along the spectrum.

You may find it helpful to give a blank copy of this tool to the managers of each of these functional areas, and then compare your assessments. The result could lead to productive discussion about how more aligned inputs could be collected and used.



Exercise 7.8

It takes a village

If you have completed the exercises here and in the full experience map in the back of the book, you probably have more than a few ideas about your target experience and how to use it. In most cases you will make many of the same decisions you always have, but make them from a different, customer experience point of view. Some reward takes a village – a group of like-minded people who contribute different expertise, functions and accountabilities to initiatives that re-set how things get done.

The purpose of the following two-part exercise is to define and prioritize the initiatives that require a village to get your reward. You will find this same exercise at the conclusion of each chapter, for use at each step along the customer experience wheel.

Part 1

Look back at your work in this chapter. What must you *stop*, *change* or *create* to move your organization into better alignment with your target customer experience?

- *Stop*: Things your company does that are in the way, or pulling you in a direction that doesn't match your target experience
- *Change*: Things you must keep doing, but do differently
- *Create*: Things that don't exist at your company or aren't done at all – but should exist or be done

List those things in the left column.

Then, use your instinct and existing knowledge to say whether each initiative will take a small, moderate or huge amount of time, people and money. (Be inclusive! Think across disciplines to include finance, legal, IT, HR, sales, marketing, operations and the CEO.)

| | Initiative to <i>stop, change or create</i> how things get done | Teams/People (Circle One) | Time (Circle One) | Money (Circle One) |
|---|---|------------------------------|------------------------------|------------------------------|
| ① | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |
| ② | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |
| ③ | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |
| ④ | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |
| ⑤ | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |
| ⑥ | | A FEW SOME A LOT | A LITTLE SOME A LOT | A LITTLE SOME A LOT |

Part 2

Plot the actions you have listed on the facing page into the chart below, based on the estimates you made for time and effort (“doability” axis) and your estimate of the impact to financial performance reward each action will likely have (“impact” axis). A reminder of the specific measures of performance for this step follows this exercise.



Once you have plotted your village initiatives, pick at least three (to gain traction) and no more than five (to keep things simple). Then go for it!

Key performance indicators for the EVOLVE / ANTICIPATE step:

Is your customer experience making you money or costing you money? Here's how to arrive at the answer. Your actions' impact on business in this step will be measurable in the following operating metrics. If you aren't measuring these items already, you may want to start doing so, or at least take a one-time baseline measurement to help you measure your success down the line.

I have noted which measures are leading performance indicators (those that are predictive of future success) and which are lagging (those that reactively measure performance outcomes).

Lagging ← Customer retention and repeat purchase rates

Lagging ← Customer satisfaction and loyalty scores

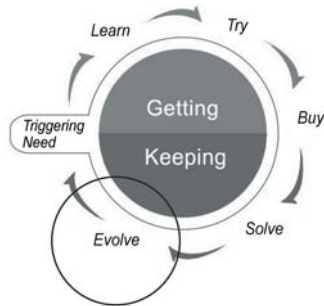
Leading → Number/percentage of reference-willing clients

Leading → Size of the demand pipeline of new needs (emerging needs that we don't solve today, but could)

Leading → Size of the demand pipeline of *same* next needs (future demand we can predict that needs the same problems solved that we solve today)

Leading → Brand reputation

Move to the next chapter if you can confidently state the following from ...



...your customer's target experience

If my customer wants to tell someone what he thinks about how well the solution worked, he understands what channels are available and feels invited to use them.

The company cares whether the problem is solved, and is thinking ahead of the customer about what he might want next.

My customer welcomes my recommendations and suggestions for future purchases, and he likes what he sees.



...your organization's target experience

I know who my advocates are. I know how to find them.

I have ample and effective channels to listen to what my customers have to say about how well I solved their problem.

I can accurately anticipate what my ideal customers might want next.

I know what evolving problems and needs I am well-equipped to solve.